... Rp3000	Portugal ... Esc100	
... C$1.00	Israel ... IS3.50	S.Arabia ... Rls6.00
Cyprus ... C£0.75	Italy ... L1600	Singapore ... S$4.10
Denmark ... DKr9.00	Japan ... Y600	Spain ... Pta125
Egypt ... E£2.25	Jordan ... Fils500	Sri Lanka ... Rup30
Finland ... Fmk7.00	Kuwait ... Fils500	Sweden ... SKr8.00
France ... FFr6.50	Lebanon ... $L125.00	Switzerland ... SFr2.20
Germany ... DM2.20	Luxembourg ... LFr48	Taiwan ... NT$85
Greece ... Dr100	Malaysia ... Rin4.25	Thailand ... Bt50
Hong Kong ... HK$12	Mexico ... Pes300	Tunisia ... Din0.800
India ... Rup15	Morocco ... Dh6.00	Turkey ... L500
	Netherlands ... Fl3.00	UAE ... Dh6.50
	Norway ... Nkr8.00	USA ... $2.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,417 Thursday December 17 1987 D 8523 A

Ethiopia: Peasants on the march in search of food, Page 18

World News

Deaver is convicted of lying under oath

Mr Michael Deaver, former White House aide, was convicted of committing perjury while denying charges of improperly using his influence as a highly-paid Washington lobbyist.

Mr Deaver, 49, was found guilty on three charges of lying under oath to a grand jury and a congressional committee investigating his activities. He was acquitted on two charges but still faces a maximum 15 years in prison and a $22,000 fine. Page 6

Kampuchean aid

Kampuchean resistance leader Prince Norodom Sihanouk said the US was planning to strengthen his rebel forces fighting the Vietnamese-backed government in Phnom Penh.

MEPs vote to sue

The European Parliament voted to take member states to the European Court of Justice for failing to set an EC draft budget for 1988. Page 3

Mafia trial sentence

Judges in Palermo, Sicily, passed 19 life sentences and more than 3,000 years of imprisonment for most of the 450 people accused of Mafia crimes at the conclusion of the historic "maxi-trial." Page 18

Kenya-Uganda truce

Kenya and Uganda began moves to normalise relations after two days of border clashes left at least four people dead. Page 4

Steel quota split

A divided European Commission has weakened its position on ending steel output quotas less than a week before a ministerial meeting is to try to make a final decision on ending controls. Page 3

Soviet defence 'intact'

Soviet armed forces chief-of-staff Sergei Akhromeyev said defence capacity remained intact despite Moscow's agreement to destroy missiles under the INF treaty.

EC may bolster Gatt

The European Community said it was prepared to scrap dozens of national import quotas to boost efforts by the trade body Gatt to eliminate such restrictions around the world.

Nigeria debt hitch

A London-based accountant acting for creditors in rescheduling negotiations on $3.25bn of Nigerian trade debts, has refused to endorse a controversial restructuring plan. Page 6

Arms head appointed

France's biggest explosives maker, Societe Nationale de Poudres et Explosives, named a temporary administrator after the resignation of its chairman over allegations of illegal exports to Iran. Page 3

Spanish plant shut

Spain's biggest aluminium plant was shut by a strike over the handling of chemicals at a nearby dock. Management at the state-owned factory said lost output may be worth $170m.

Ship subsidies to stay

The EC executive commission, is to continue allowing shipyards subsidies. Member states may pay up to 28 per cent of production costs.

Sin replaces Li

Ronald Li stepped down as chairman of Hong Kong's stock exchange after the maximum two terms at the post. The new chief is Charles Sin, a lawyer.

Romanian food pledge

Romanians have been promised higher food rations next year by President Ceausescu, but present economic policies will not be changed. Page 2

That's entertainment

Japanese businesses entertained clients with meals, gifts or rounds of golf to the tune of Y10.8bn ($84m) a day in 1986, said the national tax agency.

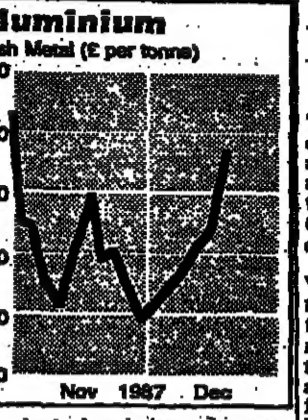
Business Summary

MK plans to consider $437m offer from RTZ

MK ELECTRIC, UK electrical accessories company which has turned down two takeover bids recently, abandoned hopes of remaining independent and recommended an increased cash offer of £262.8m ($437m), from RTZ, UK industrial and mining conglomerate, Page 19

PHILLIPS PETROLEUM, heavily indebted Oklahoma oil group, announced a package to cut costs by $150-200m a year which would include shedding jobs. Page 19

ALUMINIUM prices continued to rise on the London Metal Exchange, underpinned by news that Spain's biggest aluminium plant had closed down because of a strike. Continued demand for cash metal raised the backwardation, or premium for cash metal over three-month metal, to £50.50 a tonne. Page 28



WALL STREET: The Dow Jones industrial average closed at 1974.47, up 32.99. Page 40

LONDON: Overcoming a dull start on worries over the outlook for crude oil prices and an indecisive opening in New York, London equities managed a seventh rise in eight sessions. The FT-SE 100 index ended the day 19.8 stronger at 1,689.8. Page 36

TOKYO: The market lacked vigour again yesterday and share prices closed lower for the fourth consecutive trading day. The Nikkei average dipped 27.31 from Tuesday to 22,819.42. Volume totalled 685m shares compared with 512m the previous day. Details, Page 40

DOLLAR closed in New York at DM1.6285; FFr5.5185; SFr1.3250; Y127.05. It closed in London at DM1.6305 (DM1.6310); FFr5.5275 (unchanged); SFr1.3285 (SFr1.3280); Y127.30 (Y127.55). Page 29

STERLING closed in New York at $1.8350. It closed in London at $1.8320 ($1.8310); DM2.9875 (unchanged); FFr10.1275 (FFr10.12); SFr2.4350 (SFr2.4325); Y233.25 (Y233.50). Page 29

BRITISH CALEDONIAN investors gave British Airways its first firm stake in the rival airline by selling 6.3 per cent of BCal's shares to Lazard Brothers, the merchant bank advising BA's £200m ($366m) cash takeover bid. BCal's board, meanwhile, meets today to consider the BA bid and the competing recapitalisation package which includes a partial offer by Scandinavian Airlines System.

IRVING BANK, New York-based banking group, said its board has rejected a revised takeover offer by the Bank of New York as inadequate.

EASTERN AIRLINES, struggling Texas Air subsidiary , is weighing up the sale of assets to help solve its growing financial and labour problems. Page 19

NCR, US computer and business machine manufacturer, expects to report record earnings and sales in 1988. Page 19

MR CARL ICAHN, US takeover specialist who has played a leading role in settling the dispute between Texaco and Pennzoil, US oil groups, demanded that several large Texaco shareholders moderate their demands on the crippled and bankrupt oil company. Page 19

ICL, UK computer company, is re-organising the top management of International Computers India Manufacture (ICIM), its Bombay-based offshoot. Page 22

Roh set to win as S Korea polls close

BY MAGGIE FORD IN SEOUL

MR ROH TAE WOO, the ruling party candidate, appeared to be heading for victory yesterday in South Korea's first presidential election for 16 years.

Despite a vigorous campaign by the two main opposition candidates, Mr Kim Dae Jung and Mr Kim Young Sam, it appeared that they may have paid the price of splitting the opposition vote. Each had refused to stand down in favour of the other.

With about 40 per cent of the votes counted, Mr Roh had secured 39.6 per cent of the vote, Mr Kim Young Sam 25.8 per cent, Mr Kim Dae Jung 23.9 per cent and a fourth candidate, Mr Kim Jong Pil, 7.9 per cent.

The high turnout – 89.1 per cent – reflected the exceptional interest after years of political repression.

Opposition groups accused the Government of resorting to massive fraud to hold on to power but offered little concrete evidence to back up the allegations.

The authorities warned that no protests would be tolerated. If Mr Roh's lead is confirmed in the final result, complaints by the opposition of election fraud may not be accepted by the general public anyway.

Some disruption is expected, however, especially by students and supporters of Mr Kim Dae Jung.

If Mr Roh emerges as the final victor, President Chun Doo Hwan, who had picked him as successor, will step down on February 25 at the end of a seven-year term. It would be the first peaceful transfer of power in a nation dominated by political strongmen since its founding in 1948.

The victor's first task will be to hold elections for the National Assembly, and to preside over by the Seoul Olympic Games in September.

Mr Kim Young Sam, widely thought to have been the front runner ahead of the election, suffered a collapse in support in his home region of Kyongsang province, which includes the industrial city of Pusan.

Mr Kim Dae Jung's regional support in Cholla province, by contrast, was exceptionally strong.

Early returns suggest he won more than 90 per cent support in and around his home regional capital of Kwangju where more than 200 people were killed in an uprising against the present government in 1980.

Mr Kim's strong showing in Seoul, which accounts for about a quarter of the total votes, reflects the large number of Cholla immigrants in the city.

Opposition supporters yesterday showing papers and other items they claim were used to make fake ballot forms in the election

EC claims victory in battle to force aid cuts in W Germany

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission has claimed an important victory in a year-long fight against the amount of regional and industrial aid distributed by the West German federal and state governments.

Mr Martin Bangemann, the West German Economics Minister, has agreed to make substantial cuts in regional aid from next January. The proportion of the country's population in assisted areas would be reduced from 45 per cent to 38 per cent, leaving it more in line with the European Community average.

Brussels had attacked West German aid schemes on the grounds that they broke EC competition rules by giving the beneficiaries artificial advantages. EC officials said these were made all the more unfair by the country's relative prosperity.

The share of population eligible for national regional aid varies from 20 per cent in Denmark, the EC's richest country in terms of gross domestic product per head, to nearly 100 per cent in Portugal, the poorest member state.

The wrangle has embarrassed the West German federal Government, which ironically has been one of the fiercest critics in the Community of national aid in other member states. Yesterday's accord is the result of repeated and sometimes heated meetings between the Commission and West German federal and state ministers. It represents a big concession by the country's state governments or Laender, which are sensitive to any erosion of their local powers.

Officials have yet to measure the exact impact on the country's public spending, but the deal could hamper the package of investment schemes recently announced by West Germany to boost its economy. In the longer term, however, Commission officials argue that the aid restrictions will cut the country's public spending, giving more scope for lifting economic activity through tax cuts.

Mr Peter Sutherland, European Competition Commissioner, said the reductions would "bring German regional aid more into line with EC competition policy, while at the same time continuing to allow for a well-devel-

Continued on Page 18

Moscow sets condition for Gulf arms embargo

BY ROBERT MAUTHNER AND ANDREW GOWERS IN LONDON

THE SOVIET UNION has indicated to the four other permanent members of the United Nations Security Council that it is now prepared to move towards a mandatory arms embargo against Iran, Mr George Shultz, the US Secretary of State, said in London yesterday.

However, Mr Shultz indicated at a press conference that Moscow's willingness to agree to punitive measures against Iran for failing to respect the UN Security Council's ceasefire call in the Gulf war was linked to the possible establishment of a UN naval force to police any arms embargo. The Secretary of State was in London to brief Mrs Margaret Thatcher, the British Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary, on the results of last week's US-Soviet summit in Washington.

Yesterday's disclosure by Mr Shultz was the first sign that Moscow, which has hitherto stalled on sanctions against Iran, is prepared to work on a follow-up resolution enforcing the ceasefire call, which only Iraq has, so far, accepted.

"Maybe we are beginning to see some progress," Mr Shultz said.

As a first step, officials expect the Security Council to meet before Christmas to discuss the drafting of an arms embargo resolution. The Soviet Union, this month's chairman of the Security Council, is expected to propose the creation of some form of UN naval force, an idea which has so far been rejected by the US and some other Western states.

Mr Marlin Fitzwater, the White House spokesman, said in Washington yesterday that the focus should first be on enforcing the UN ceasefire resolution and the adoption of a second resolution calling for an arms embargo. "And then we'll sit down and talk about enforcement measures. But we are slightly suspicious of any proposal that tends to increase their (the Soviet) involvement and decrease ours," he said.

It was not clear whether Moscow was making the adoption of an arms embargo entirely conditional on the establishment of a UN naval force, or what precise form such a force should take.

One possibility which may be discussed is the use of UN-flagged ships simply to stop and search vessels plying the Gulf for arms destined for Iran. This idea, it was made clear in London, is potentially more acceptable than the blanket replacement of Western fleets currently patrolling the Gulf with a UN force.

Seagram buys Martell control

BY PAUL BETTS IN PARIS AND LISA WOOD IN LONDON

SEAGRAM, the Canadian-based spirits company, has acquired control of Martell, the second largest French cognac house, in which Grand Metropolitan, the UK-based drinks and hotel group has a near 20 per cent stake, in a FFr1.4bn ($253m) deal.

Seagram appears to have outmanoeuvred Grand Metropolitan, which had announced yesterday that it had taken its stake in the family-controlled Martell to just under 20 per cent.

It is understood that Grand Metropolitan, which took an initial 10 per cent stake in Martell in July for £30m ($55m) was seeking French government approval to take its stake in Martell to over 20 per cent.

Grand Metropolitan had struck a distribution agreement with Martell which had particular importance for it in the Far East.

City of London analysts yesterday were unclear as to how the deal with Seagram would affect this arrangement. Grand Metropolitan said: "We believe the international distribution agreement is sound and working well. However, we do not know the intention of Seagram and Martell."

Martell said in a statement yesterday that the Martell family had agreed to sell a 41 per cent stake to Seagram. This would give the Canadian group, which already owns a stake in the cognac house, a majority control of Martell.

Seagram was also offering to acquire all other outstanding Martell shares at FFr2,500 a share putting a value of about FFr3.8bn on the entire company, a Martell official said.

The deal, which still hinges on French Government approval, will expand the Canadian group's already sizeable presence on the French wine and spirits market and add a prestige French brand in addition to its Mumm champagne.

Mr Rene Firino Martell, the chairman and main shareholder of the cognac house, said the deal with Seagram was designed to help the development of Martell especially on export markets.

Seagram, estimated to be the second largest drinks company in the world after Grand Metropolitan's IDV, has either wholly owned or joint-owned distribution businesses in 23 countries.

Martell would not comment on why the family had decided to sell its stake to Seagram except to say that the price was interesting. There was speculation in London that Martell might have decided to accept the Seagram offer because it was worried by Grand Metropolitan's intentions towards the Cognac house.

Martell, which exports about 19 per cent of France's cognac, has seen its business hit by the decline in the US dollar and a series of unhappy diversifications. The company had for some time been at the centre of takeover speculation on the French bourse.

The deal comes after a year of intense activity in the international drinks market with several major acquisitions and new joint agreements including cognac houses.

Lex, Page 18

Israel puts on show of force in Gaza strip

By Andrew Whitley in Jerusalem and Andrew Gowers in London

THE ISRAELI ARMY put on a major show of force yesterday in the occupied Gaza Strip, where disturbances continued for an eighth successive day amid a rising chorus of international protest at the tactics of the security forces.

Two tanks paraded conspicuously through the main street of Gaza City, while elite infantry soldiers lined main roads in the narrow coastal region.

Meanwhile, the US, Britain, France, West Germany and a number of other countries expressed serious concern at the continuing violence. Calling for restraint on both sides, the White House said: "The continuing (Israeli) occupation is exacting a heavy price on the 1.5m Palestinians in the territories and on Israel as well."

The British Foreign Office said it deplored the violence and called on Israeli troops to behave more humanely. It also announced that Mr David Mellor, Minister of State at the Foreign Office, is to visit the occupied territories and Israel in early January, a trip which will certainly be used to underline the depth of British concern.

However, in a radio interview from Washington, Mr Yitzhak Rabin, the Israeli Defence Minister, warned Palestinians there would be be "more injuries and damage" if they did not respect public order.

According to the first official casualty toll, released by the army yesterday, 12 Palestinians have been killed and 48 wounded since December 9.

A handful of Israeli sol-

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Tokyo SE offers membership to 16 foreign firms

BY IAN RODGER IN TOKYO

THE Tokyo Stock Exchange has offered membership to 16 foreign securities firms, including four from Britain, after strong pressure from overseas governments.

The UK firms to gain membership, which will cost from Y1bn to Y1.2bn ($7.8m to $9.4m), are the subsidiaries of the merchant banks Kleinwort Benson, Schroders, Baring Brothers and County NatWest. They will become members on February 16, and will be able to start trading on May 23.

Two other British firms, James Capel and Barclays de Zoete Wedd, a subsidiary of Barclays Bank, had their applications turned down. The securities affiliates of Chase Manhattan Bank of the US and Credit Lyonnais of France were also refused membership.

Only a few hours after the decision in Tokyo was announced, the Bank of England called in the directors of the UK subsidiaries of two of the big four Japanese securities houses, Yamaichi and Nikko. The Bank indicated that banking licences would be granted to both firms, probably by the end of the year.

Yamaichi and Nikko both applied for licences in mid-June after being given encouragement by the UK authorities. The other large Japanese securities houses, Nomura and Daiwa, were given banking licences last year, about eight weeks after applying, whereas Yamaichi and Nikko have been kept waiting for six months while the issue of Tokyo exchange membership was resolved.

Mr Peter Bulfield, chief executive of Yamaichi's UK subsidiary, said that the licence would allow Yamaichi to engage in foreign exchange dealing and currency swaps as part of a more general banking service both to existing and new clients.

Japan's move followed a threat by the British Government in April to withdraw licences from Japanese financial firms in London unless the Tokyo exchange – the world's largest stock market in terms of capitalisation – admitted more British members.

At the moment, only six of the 92 member firms on the Tokyo exchange are foreign-owned. They were admitted in January last year.

The British and other foreign governments are likely to maintain their pressure on the Japanese authorities to force the Tokyo exchange to admit more overseas members.

However, the exchange claims that it has no room on its trading floor, and Mr Michio Takeuchi, the exchange's president, yesterday held out little prospect for further memberships.

"I cannot say that there is no possibility in the future", but it would depend on world stock market movements and the progress of the exchange's computerisation programme, he said.

He added that the results of the selection were "very reasonable." The decisions had been based on the size of the firms, their financial condition and their experience in Japan. The four foreign firms that were refused membership had been

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JAPANESE Premier Noboru Takeshita said his government would never again become a military power after fears surfaced this week among leaders of six South-East Asian Nations meeting in Manila. There was no intention of reviving the old Japan, Mr Takeshita said.

All the Asean countries at the summit - Thailand, Malaysia, Indonesia, the Philippines, Brunei and Singapore - were occupied or controlled by Japan during the Second World War. Page 4

Warrants booming, Page 21

CONTENTS

JARUZELSKI SHAKEN BY THE VOTE IN POLAND

One of the most remarkable things about last month's referendum is that it was held at all, Page 16

Polish hardliners fail to wrest initiative from pragmatists

BY CHRISTOPHER BOBINSKI IN WARSAW

THE pragmatic wing of Poland's Communist party continues to maintain the initiative in the face of hardline doubts about General Wojciech Jaruzelski's policies, judging by the results of this week's central committee meeting.

The meeting followed last month's referendum which failed to produce an absolute majority for the Government's economic and general reform plans and this could have opened the way to a hardline counter-attack at Wednesday's meeting.

In the event, however, hardliners found themselves crowded off the agenda which was filled with lengthy reports by the leadership. This left time for only 16 of the 33 members who had put their names down to speak. Only 18 out of 210 central committee members voted against the promotion to the politburo of Mr Mczyslaw Rakowski, who has a reputation as a liberal in the eyes of conservative party members.

Changes at the top of the propaganda department and appointments to head the ideological section and the party's journal, Nowe Drogi, also confirmed the reformist direction. But it would also appear that Gen Jaruzelksi remains undecided as to how far he wants to go with political reforms. In his speech to the plenum, Mr Rakowski admitted that, within the party, barriers to change were to be explained by fears that "we would weaken or even lose power".

He also called for more courage and innovative thought inside the party to face the intellectual challenge posed by the opposition as well as by the climate of change throughout the Communist bloc.

Mr Rakowski's reputation as a liberal is much tarnished in the eyes of the people. He held office as deputy premier in 1981 and during martial law. Nevertheless, his appointment improves Gen Jaruzelski's image in the West and shows that the Kremlin of Mr Mikhail Gorbachev is ready to accept a man seen in Moscow in the past as a social democrat.

The party apparatus still remains the force with which the leadership has to contend. Nor is there any firm evidence that hints of an accommodation with the moderate opposition, or changes in the electoral law for local elections next year, amount to a real liberalisation.

Formal recognition of the private sector, backed by a tax policy which would encourage investment, remain on paper as a policy aim. An application by the Warsaw-based Economic Society, an independent group which wants to support private business, has run up against official opposition. Also, a new monthly newspaper, Konfrontaceje, which plans to publish both opposition and government views still awaits formal permission to go ahead.

Meanwhile, Sprawy Ei Ludzie, the Wroclaw hardline weekly, in its latest issue criticises support for the private sector as opportunist and says it runs counter to the aim of having "all ownership in the hands of society".

Industrial textiles urged to diversify

By Alice Rawsthorn

THE INDUSTRIAL textile, or non-woven, industry of Western Europe must nurture new export markets and diversify into new product areas in order to sustain its growth, according to a newstudy.

In recent years the non-woven sector, which produces high-tech textiles generally for use in industry and medicine, has become one of the most buoyant in the textile industry. But the latest report from Edana, the European Non-Wovens Association, suggests that its growth could slow unless it expands into new markets.

Last year non-woven production in Western Europe increased by 7.4 per cent in volume. Yet production is concentrated in the "coverstock" area, which embraces non-wovens for use in babies' nappies and sanitary protection products. More than 25 per cent of all Western European production is in this area and most of the increases in capacity have been directed towards it.

The markets for nappies and san-pro in Western Europe are intensely competitive and consumer demand is static. Edana has detected that companies are already increasing exports and diversifying into areas such as agriculture and the car industry in order to counter these problems.

It is convinced that these developments must continue in order to secure the future of the industry. Assuming that there is further diversification into new product areas Edana estimates that the volume of non-wovens output will have grown by a further 5 per cent by the end of this year.

The production of non-wovens first began in the 1940s and 1950s when companies within the textile and paper industries began to combine the production techniques of both sectors in order to manufacture a new generation of textiles for industrial applications.

The industry is still dominated by companies in Western Europe, the US and Japan. Yet in recent years new non-woven sectors have emerged within the developing textile markets of the Far East in countries such asSouth Korea and Taiwan.

The report into the non-wovens industry in Western Europe is published by EDANA, Avenue des Cerisiers 51, 1040 Brussels, Belgium.

Ceausescu promises more food next year

BY JUDY DEMPSEY IN VIENNA

ROMANIANS have been promised higher food rations next year by President Nicolae Ceausescu, but present economic policies will not be changed.

Mr Ceausescu was winding up the national conference of the Romanian Communist Party which has been meeting in Bucharest for the past two days against a background of growing discontent among workers and students about deteriorating economic conditions and poor food supplies.

No mention of the recent unrest in Brasov or Timisoara was mentioned in any of the published reports in the tightly controlled media, but Mr Ceausescu made reference yesterday to the "complexity of the internal situation".

He added, however, that "wonderful prospects lay ahead but strong intensification of efforts was still required".

In his speech, frequently interrupted by rhythmic clapping and chanting from the 4,000 delegates, Mr Ceausescu said more cattle would be slaughtered next year to meet domestic needs and the rearing of sheep and pigs would be increased to satisfy the home market.

Over the past several years, the bulk of meat products,along with fertilisers and other agricultural produce, have been earmarked for the export market as part of Mr Ceausescu's single-minded drive to pay off the country's hard currency debts.

Outside Bucharest, the capital, for instance, bread is rationed to 300 grams per day and oil and sugar to half a kilogram per month.

The export drive, along with sharp cuts in imports have been the main contributing factors to the recent spate of disturbances.

In spite of this, Mr Ceausescu said the country was progressing along the path of "a revolutionary workers democracy".

Meanwhile, as the party conference drew to a close, Mr Hans Dietrich Genscher, the West German Foreign Minster, arrived in Romania for a 24-hour visit in which he will have talks with Mr Ceausescu.

One of the main items on the agenda will be the situation of the German minority which numbers around 200,000 and who were originally concentrated around Brasov in Transylvania, central Romania.

Over the past decade, the West German Government has been attempting to ease the emigration flow and reduce the delays of those ethnic Germans who wish to leave Romania.

Between 11,000 and 13,000 ethnic Germans leave each year but not before Bonn has, in many of the cases, paid up to DM8,000(£2,760) per person to help and speed up their emigration.

Last week, the West German Bundestag debated the economic and social situation in Romania as well as the plight of the German minority.

Mr Marce Dinu, the Romanian ambassador to Bonn, tried unsuccessfully to prevent the debate from taking place. The discussions in the Bundestag clearly indicate the growing concern from among West German politicians and pressure groups with the deteriorating situation not only for the ethnic Germans in Romania but for ordinary Romanians as well.

Several groups in West Germany have already organised food parcels to be sent to the ethnic Germans during the winter months.

Agnelli Prize for Sir Isaiah

By John Wyles in Rome

FIAT said yesterday that Sir Isaiah Berlin, the Warden of All Souls and internationally renowned professor of philosophy, is to be the first recipient of the $200,000 Senator Giovanni Agnelli International Prize.

Named after the company's founder, the prize is to be given every two years for "contributions to reflection on the ethical dimension in industrially advanced societies".

The Turin group believes it to be the first such award aimed at stimulating thought and debate on ethical issues and problems brought about by scientific and technological change.

Dr Cesare Annibaldi, the head of Fiat's external relations department, said yesterday that the choice of Sir Isaiah was "emblematic" in that he had spent a lifetime thinking and writing about the role of values in society

According to Dr Marcello Pacini, director of the Giovanni Agnelli Foundation, there are 15,000 prizes awarded around the world for a wide variety of cultural achievements. Fiat had chosen an ethical focus because of the need to strengthen "a culture of responsibilities".

Born in Russia in 1909, Sir Isaiah emigrated with his family to Britain in 1920. He is the author of some classical historical and philosophical works including a biography of Karl Marx and "Two Concepts of Liberty", in which he redefined the classic distinction between "positive" and "negative" liberties.

John Wyles reports on a television personality phenomenon

Italy falls for electronic evangelist

Kevin Grey

ITALY has a new "ismo" to add to *Craxismo, fascismo* and *elitarismo,* to mention but three of the popular currents which commentators like to invest with political significance. This week Adriano Celentano was officially baptised the father of *Celantismo* by no lesser a personage than Mr Eugenio Scalfari, the editor of La Repubblica and probably Italy's most influential journalist.

On the surface, there is nothing absurd about a balding, slightly lugubrious pop-star acquiring political stature. A celluloid creation is the current occupant of the White House, Yves Montand, the French film actor, has been seriously considering whether to run for the French presidency and more than one British television personality has been lured into the anonymity of backbench politics.

Yet there is something odd about Mr Celentano fathering an "ismo." He is a man of rambling physique, modest intelligence and discreet talent who in September was put in charge of Fantastico, the variety flagship of Rai Uno, the first channel of the state television service.

Fantastico must be one of the few programmes of its type in Europe which is still broadcast live. This, indeed, is one of its attractions, offering viewers the possibilities of thrills and spills which these days are edited out of the normal neatly tailored videotaped transmission. Mr Celentano's notoriety lies in his genius for bringing the unpredictable and the dangerous to live television so that upwards of 11m viewers now shiver with anticipation at prime time on a Saturday evening.

At first, he seemed a disaster. His September debut was so bad that everybody held fast to their conviction that Rai had suffered an irreplaceable loss when Mr Pippo Baudo, Mr Celantano's carefully coiffured and immaculately dentured, predecessor at Fantastico, moved across to the Berlusconi private TV empire for fast sums of money.

With rubbery features seemingly freshly turned from a mould by the Spitting Image British television team, Mr Celentano appeared tongue-tied, incoherent and totally miscast for the role of presenter-performer. But then, a few programmes into the series, Mr Celentano was seized by the beauty and justice of his opinions.

He lectured compulsively on environmental protection, against vivisection, on the evils of hunting, for peace and marriage and other emotive subjects close to the heart of Western civilisation.

Simple credos are simply and not always grammatically expressed ("his gerunds drive me mad," wrote one critic). But no director of Rai has pulled the plug on him and no one has ordered him to stay more closely to the scripted show. Steadily, Mr Celentano has emerged as Italy's electronic evangelist – its flagellant of the flickering screen.

On the eve of the national referendum in November, Mr Celentano overreached himself. Apparently blissfully unaware of the implications, he urged his viewers to write on their ballot papers, "hunting is against love, we don't want it." But inciting people to spoil their votes is against Italian law.

Embarassed by the uproar, Rai exacted an immediate penalty of L200m, Mr Celentano imposed another on himself by donating the same amount to Aids research and the Italian magistracy is pondering whether or not to charge him.

Since then, Mr Celentano has become manifestly excited by the publicity he can arouse and the influence to be exercised over a live audience. He gave Berlusconi a windfall audience by urging his viewers to change channels for a few minutes – several million did so – and then last weekend he went even further. Moved by the successful exertions of Messrs Reagan and Gorbachev and anxious to encourage them to greater heights of disarmament, Mr Celentano told his viewers to switch off for five minutes. Audience research suggests that at least 5m people did so.

Some commentators are wondering whether he is heading for the same end as the Peter Finch character in the movie Network who ordered viewers to scream from their windows: "I'm as mad as hell and I'm not going to take it any more." Others, more ponderously, hold that he is filling a void created by a political class in which no one any longer places confidence and trust.

Mr Scalfari believes he has become "a sort of guru" which, if true, says little for Italian tastes in gurus. Rather more to the point is that Mr Celentano is demonstrating how television can be used not only as a vehicle for personal influence, but also as a source of control. His audience is becoming accustomed to responding to his instructions and may, indeed, be tuning in to participate in a piece of mass theatre.

The political implications are at least interesting and at worst sinister, if such powers of audience control were to be abused. At the moment, the dangers are remote since Italian politicians, almost without exception, are hopeless television performers.

But if Italians can be led by the nose by the likes of Mr Celentano, there is obviously potential for a politician with the right mix of personality and skills. Thanks to Mr Celentano, one or two may soon be turning to professionals for advice

Bonn warns that Eurofighter costs must fall

BY DAVID MARSH IN BONN

WEST GERMANY will be unable to go ahead with the planned four-nation European fighter aircraft (Efa) unless the aerospace industry keeps costs down, Mr Manfred Woerner, the Defence Minister, has warned.

Underlining the severe financial squeeze facing the Defence Ministry budget, Mr Woerner told the Financial Times in an interview that economies on the Efa would have to be made "in a much greater fashion than in the past so that the costs do not rise further. Otherwise it will not be possible to pay for it, at least in West Germany."

The fighter, planned by Britain, West Germany, Italy and Spain, has run into considerable opposition both from politicians and military staffs in Bonn recently. This is a principal reason why the four nations have yet to make a *definite* decision on passing from the project definition phase to full development.

Total cost of developing and producing 800 EFAs by the four countries has been put at about DM60bn($20bn). West Germany is due to put up a third of the money. A Bonn government decision on whether to proceed with the aircraft, originally expected in November, would now be taken "in the next few months," Mr Worner said.

The minister said he faced the task of winning approval for the Efa project from Parliament, but costs had to be limited. "The request is aimed at industry and at our military people, who must be ready under some conditions to give up some demands on specifications."

Mr Woerner, who is leaving the ministry next summer to become Nato secretary-general, stressed that he wanted Efa to go ahead. But he spoke openly about "alternatives" if it did not. Although he declined to spell these out, they are believed to include purchasing an upgraded F18 fighter from McDonnell Douglas of the US, producing a fighter in collaboration with the US, or working on an aircraft with France.

"As one of the fathers of Efa, I want to see it built," said Mr Woerner. "But I do not rule out alternatives for one reason – so that nobody thinks he can blackmail us with prices. We have a number of alternatives – at least three."

Mr Woerner underlined that he was trying to win more government finance to boost defence spending in coming years. He is unsatisfied with the annual expenditure rise of only about 2.5 per cent in nominal terms which has so far been held out up until the beginning of the 1990s.

Interview, Page 16.

Little growth seen for West German economy

BY DAVID MARSH IN BONN

THE West German economy is expected to grow by only 0.75 per cent next year compared with 1.5 per cent in 1987, with activity likely to stagnate throughout the year. This gloomy forecast was published yesterday by the Institut der Deutschen Wirtschaft (IdW), the economic research institute close to the Confederation of German Industry.

The forecast, which is appreciably more pessimistic than those made up to now by the Government, is in line with the generally subdued hopes of much of West Germany's export-orientated industry in the wake of the worldwide collapse of share prices.

The institute foresees a rise in unemployment by 125,000 next year to 2.35 m, or 9.5 per cent of the workforce against 8.8 per cent in 1987. Four years of gradual employment growth in West Germany will come to an end in 1988, it says, with the average numbers in work falling by 78,000.

"The economic effects of the latest D-Mark appreciation and of the share market crash are greater than many had expected," the IdW says. This is partly because the financial market turbulence coincided with an economic recovery which was already starting to fade because of lack of capital investment.

The gloomy economic picture next year will only improve if "confidence-building measures" are soon taken on the national and international stage, it says. On the positive side, the continuing climate of price restraint offers room for an economic policy based on stimulating investment.

Yesterday's IdW report coincided with a statement from economists associated with the opposition Social Democratic Party's Friedrich Ebert Foundation. They called for temporary income tax cuts

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Administrator for explosives group

FRANCE'S national explosives manufacturer, Societe Nationale de Poudres et Explosives (SNPE), yesterday named a temporary administrator after resignation of its chairman following allegations of illegal exports to Iran, **George Graham reports.**

Mr Michel Herchin heads the company until a replacement is named for Mr Guy-Jean Bernardy. Mr Jean Faure remains managing director.

The French Defence Ministry, which supervises SNPE, indicated there were doubts about the destinations of some of the company's exports. The affair intersects with an inquiry into the Luchaire armaments company, also accused of supplying arms to Iran.

Chirac ploy on Renault foiled by Mitterrand

By Paul Betts in Paris

FRESH uncertainty surrounded the future of the French car group Renault yesterday following President Francois Mitterrand's opposition to a special session of Parliament next month to debate the Government's controversial bill changing the company's legal status.

The state-owned car group has fallen victim to a new crisis in political "cohabitation" between the Socialist Mr Mitterrand and Mr Jacques Chirac, the Conservative Prime Minister.

Mr Chirac decided on Tuesday to postpone the parliamentary debate on Renault in the face of fierce obstruction from the Communist party which had tabled 3,500 ammendments to the government's bill.

He indicated that he intended to push through the legislation during an extraordinary session of Parliament next month, since the bill was unlikely to be approved before the end of the current ordinary parliamentary session, the last before next spring's presidential election.

Mr Mitterrand emphasised yesterday, however, that under the constitution it was not up to the Government, but to the President, to decide whether an extraordinary session should be held.

The Renault legislation, therefore, appears to have been shelved indefinitely. It was designed to change Renault's privileged status as a state-owned regie into an ordinary state controlled company. The plan also involved a major restructuring of the group's balance sheet, with the Government writing off FFr12bn ($1.2bn) worth of debts.

With undisguised irritation, the Elysee issued a terse statement during the Government's weekly cabinet meeting yesterday spelling out the constitutional position on this issue. It also added that the Government could have resorted to several procedural devices to speed the passage of the Renault bill through Parliament before the end of the current session.

Mr Chirac decided this week not to turn the bill into a confidence motion to short-circuit the debate in the National Assembly and frustrate the Communist party's efforts to block it.

Mr Alain Madelin, the Industry Minister and principal architect of the bill, claimed yesterday that Renault had become a political football.

Mr Madelin negotiated the restructuring package with the European Commission. He said Renault now faced a delicate situation since Brussels had forbidden the Government to advance further subsidies. The Commission is also investigating some FFr8bn worth of state grants advanced to Renault during the past few years.

Although Renault is expected to make a profit of more than FFr3bn this year after several years of heavy losses, its balance sheet is still burdened by about FFr50bn worth of debts.

The shelving of the Renault bill is likely to exacerbate tensions not only between right and left but also within Mr Chirac's own parliamentary majority as the presidential election campaign gathers steam. However, the Communists were jubilant yesterday after their unexpected success in sabotaging the Government's proposals.

The Communists have fiercely opposed the proposals to turn Renault into an ordinary company since they have always regarded the company as a symbol of French state industry and a stronghold of the pro-Communist CGT trade union.

Commission weakens steel stance

BY WILLIAM DAWKINS IN BRUSSELS

A DIVIDED European Commission has *significantly* weakened its position on ending steel output quotas. The move comes less than a week before a ministerial meeting is to try to make a final decision on when to end the production controls which provided a prop for EC steel prices for the past seven years.

The new position, agreed by 13 of the 17 Commissioners at their weekly meeting, means that Brussels is prepared to consider extending quotas for hot rolled coil for three years. This is a marked change from earlier proposals for an unconditional end to quotas for that product, the biggest single component of EC steelmaking overcapacity, by next July 1.

Hot rolled coil represents *roughly* 10m tonnes of the EC's 30m tonnes surplus steel production potential. Brussels is now saying that it might consider that the market for that product is weak enough to prolong quotas until the end of 1990 if it gets promises of at least 7.5m tonnes of capacity cuts from hot rolled coil plants. Those would have to come from big integrated producers, mainly in West Germany, Italy, France and the UK.

A Commission official said yesterday that the chances of getting such a guarantee – at least for hot rolled coil – from the industry were "extremely weak, or non-existent." Nevertheless, the change in stance was being seen by some in Brussels as a potentially dangerous weakness close to what should be a decisive meeting of industry ministers.

The proposal to consider extending controls for hot rolled coils was put forward by Mr Karl-Heinz Narjes, the Industry Commissioner, with the support of Mr Jacques Delors, the Commission president, who is keen to get Brussels' steel plan out of the way well before what will be a difficult February summit on the EC's farm and budget crises.

It met strong resistance from Mr Peter Sutherland, the Competition Commissioner, who argued that failure to stick to a consistent line would send the wrong signals to a reluctant industry and that much more evidence was needed to prove whether hot rolled coils needed extra protection.

In other respects, the Commission's steel plan remains unchanged. It is proposing to ban quotas for merchant bar and wire rod from the end of the year and to liberalise heavy plate and sections from next July 1, unless – as in the case of hot rolled coils – the industry comes forward with adequate closure proposals first. Heavy plate and sections, representing a combined 10m tonnes of surplus capacity, are generally made in smaller plants than hot rolled coil. Accordingly, steelmakers are thought more likely to volunteer adequate closures in those products.

MEPs back court action on budget delay

BY TIM DICKSON IN STRASBOURG

THE EUROPEAN Parliament yesterday voted overwhelmingly to take member states to the European Court of Justice for failing to set an EC draft budget for 1988. MEPs accompanied their legal offensive with a sharp verbal attack on the European Commission for allegedly weakening its stance on the whole issue of long term financial reform.

Yesterday's motion, supported by 279 votes with eight against and 16 abstentions, is the latest twist to the Community's budgetary crisis, which deepened earlier this month when the Copenhagen summit failed to agree a key package of long-term financial reforms, including cuts in agricultural spending and a higher legal ceiling for the EC's own resources.

Given that the current legal limit is well below what is needed to pay for EC policies in 1988, the Copenhagen impasse made inevitable the subsequent failure of the Budget Council to set a draft budget – something which it was required to do by October 5 under the Rome Treaty.

The latest legal challenge by the Parliament follows a similar initiative last week against the Council by the Commission – but the cases will not be heard until well after the emergency summit called for mid-February in Brussels which is now being billed as the last chance to avert disaster.

Both Mr Poul Schlueter, the Danish Prime Minister and president of the European Council, and Mr Jacques Delors, the Commission president, gave MEPs a gloomy assessment of the Copenhagen collapse.

But in summing up the debate Mr Delors – whose ill-fated compromise proposals submitted to heads of governments on the last day of the summit inspired the Parliament's wrath – firmly rejected the idea that he had made major concessions on the cereals aspect of the farm proposals, the size of the EC's structural funds, or the new system of own resources.

Mr Schhueter commented that if the Community's lack of resolve" developed into "a kind of paralysis – and this is a real fear although all of us hope that it will not be the case – I take a gloomy view of the possibility not only of Community development but also of holding on to what has already been achieved."

Moscow to brief China on summit

By Robin Pauley, Asia Editor

SINO-SOVIET relations will advance significantly next week when Mr Igor Rogachev, Moscow's Vice Foreign Minister, briefs Chinese officials in Peking on the recent superpower summit. A Chinese Foreign Ministry official said the Kremlin had asked for the meeting to brief the Chinese directly, an unprecedented diplomatic event.

It is the latest in a string of indications that both Moscow and Peking – but the former in particular – want to improve their frosty relations. A Western diplomat called the meeting a protocol coup for Moscow.

China has insisted that the Soviet Union must remove three obstacles to better relations: the Soviet-backed occupation of Kampuchea by Vietnam, the concentration of Soviet troops on the Sino-Soviet border, and the Soviet occupation of Afghanistan.

Mr Edward Rowny, one of President Ronald Reagan's advisers and a regular visitor to China, has already discussed the outcome of the summit and the agreement to scrap intermediate-range nuclear weapons in meetings with Chinese officials earlier this week.

China has publicly welcomed the missile agreement, which meets its longstanding demand that the Soviet Union scrap Asian-based intermediate-range missiles along with weapons in Europe.

China calls for HK debate on constitution

BY DAVID DODWELL IN HONG KONG

CHINA is inviting a five-month public debate in Hong Kong next summer on its proposals for a new constitution in the territory after 1997. Debate will follow publication in May of a first draft of the constitution, called the basic law.

The plan to consult Hong Kong people was unveiled yesterday in Guangzhou, the capital of Guangdong province adjoining Hong Kong, by Ji Pengfei, chairman of the basic law drafting committee.

The format for the debate has yet to be announced, but it is likely to be modelled on the public opinion-gathering exercise mounted over the past summer by the Hong Kong government after publication of a green paper on political reform. This debate ended in September, and the Hong Kong administration is close to publishing a white paper intended to steer political reforms through elections in 1988.

The Government has attracted fierce criticism from advocates of western-style democracy, who claim the opinion-gathering exercise fogged - perhaps deliberately - the critical issue of whether direct elections should be introduced next year.

Peking has vehemently opposed hasty political reform orchestrated by an outgoing colonial administration, and was pleased by the finding after the past summer's debate that almost 80 per cent of the Hong Kong population wanted any political reform to "converge" with reforms to be proposed by the basic law.

The fact that Peking took an active role this summer in lobbying the public to support its views on reform must raise questions over how neutral a role it will take next summer as it seeks public responses to its own proposals for reform.

Peking's proposals have already come under fire from Mr Martin Lee, a Hong Kong barrister and an outspoken member of the basic law drafting committee. Mr Lee said in Guangzhou yesterday that he would oppose the proposals he expects to be published in May.

Noting that China is unlikely to support direct elections for any more than 25 per cent of the seats in the territory's post-1997 legislature, Mr Lee commented: "one-quarter democracy is no democracy".

He said dwindling public confidence in the prospects for reform after 1997 had led to increasing pressure to migrate - a claim that was in part endorsed on Tuesday this week by Xu Jiatun, China's top diplomat in Hong Kong.

Xu called on local people to reconsider plans to emigrate - and asked those who were already overseas to return - a plea that reflects increasing anxiety over declining confidence in Hong Kong, and the accelerating exodus of professionals

Ji Pengfei - active role

Dai Hayward in Wellington on the Government's refusal to loosen its monetary policy

Market slide worries New Zealand

MR ROGER Douglas, New Zealand's Minister of Finance, has rejected widespread and growing demands for urgent government intervention in the stock market.

The impetus for this pressure arises from October's stock market crash which has aggravated a growing recession in the country.

Business leaders, employers' groups and economists - including some who are strong supporters of Mr Douglas's economic policies - have called for urgent action over the past week to restore business confidence shaken by a drop in the New Zealand stock market of more than 50 per cent since its peak last September.

The New Zealand stock market has fallen faster and further than any other. Tuesday was the first time in eight days that the market index recorded a rise.

The long-running slide reflects a growing loss of business confidence throughout the whole economy. The Government is under growing pressure to take immediate steps to reduce high interest rates and the high value of the strong New Zealand dollar, both of which are hitting exporters and manufacturers.

On Monday, the cabinet deliberated on the current economic situation and the slow-down in business activity.

It decided, mainly at the urging of Mr Douglas, to hold fast to its tight monetary policy. Mr Douglas argues that while moves to loosen monetary policy may help in the short-term, they would also bring uncertainty into the market place.

There is a need, he says, for New Zealand to preserve "a sense of vision" as it enters new economic circumstances. The Government must maintain a delicate balance between preserving confidence and introducing measures which would "indirectly bail out poor business decisions," he says.

Instead of loosening its policies, the Government needs to show determination and consistency, declares Mr Douglas. He is confident that the long-standing high interest rates, one of the major causes of criticism, will fall much more rapidly than was anticipated, as a result of the crash.

Over the past few weeks rates have fallen a few points, but they remain extremely high. Five-year government stock is still being offered at above 15 per cent.

High interest rates and the strong New Zealand dollar are having an adverse effect on export receipts, tourist development, local unemployment and business activity. Recent surveys forecast a steep increase in unemployment in the early part of next year.

Retailers are facing a bleak Christmas sales period with even more gloomy prospects forecast for next year. Industrial investment in new plants has slowed down, manufacturing orders have fallen off and, since the stock market crash, more white-collar workers are joining the dole queues.

At the same time, the banks are flush with funds, much of this diverted from the stock market, so that with the high interest rates being charged, few people are willing or able to take out loans.

In an effort to boost business confidence the Government announced a few weeks ago it was working on an economic package for introduction early next year. This will include cuts in business and personal taxation.

The Government will also take steps to further reduce Government debt and spending, particularly in the welfare area.

Other moves will involve tariff reform and further efforts to reduce foreign debt. The packages are expected to include what, for New Zealand, will be revolutionary steps affecting welfare benefits.

A major aim will be to increase the gap between the amount of unemployment benefit paid to those on the dole and the take-home pay of the lower-paid. At present, many people receive more by drawing a combination of welfare benefits than they would receive by working.

Lower taxes for the lower-paid would be one way to discourage this. New Zealand's taxation rates will also be reduced to encourage greater productivity and over-time earnings.

The announcement that these moves were in the pipeline have not been sufficient to stop the slide in business confidence. Mr Paul Collins, chief executive of Brierly Investments, is one of the most recent businessmen to call for Government intervention.

He suggests that because the stock market crash has reduced inflation forecasts and speeded up the predicted fall in inflation levels, it would now be safe for the Government to relax monetary policy so interest rates could be brought down to about 14 per cent.

The Federation of Labour and Trade Unions also wants action to prevent a further increase in unemployment.

Union leaders have, however, warned the Government against giving a helping hand to financial entrepreneurs. Their policies are partly responsible, say the unions, for the restructuring of New Zealand's industry which results in large-scale staff reductions.

Whatever moves the Government introduces in its economic package, it is unlikely to include steps to re-introduce control over the exchange rate.

Farmers, exporters, manufacturers, economists and the opposition are all criticising the Government for allowing the value of the New Zealand dollar to remain exceptionally strong.

The first step taken by the Labour Government in 1984, within hours of coming into office, was to devalue the New Zealand dollar by 20 per cent. Later, the currency was allowed to float.

A major objective of the devaluation was to help exporters and the agricultural industries which initially happened, but the steady rise of the value of the New Zealand dollar – particularly against the Australian dollar – wiped out most of the advantage.

Many large companies have pointed out it is now more profitable for them to invest and set up operations off-shore, than to try and compete on export markets with locally-made products.

Nine die in fresh wave of Tamil violence

TAMIL rebels have unleashed a new wave of violence in east Sri Lanka in which nine people have been killed, Reuter reports from Colombo.

At Kalawanchikuddy in eastern Batticaloa district, members of the Liberation Tigers of Tamil Eelam separatist group shot dead five civilians on Monday, police said.

The five, including a school principal who supported a rival Tamil faction, were taken out from one house and shot on the road.

The Tigers also exploded a landmine on the same day as an Indian military patrol passed through Thirukkovil district, killing one soldier and wounding six.

Up to 35,000 Indian soldiers have been in the island's northern and eastern provinces to implement a July peace accord aimed at ending a four-year-old Tamil separatist war.

The rebels followed up the Thirukkovil ambush by firing on troops and took cover from houses as they dodged return fire. Three civilians died in the crossfire, police said.

Nearly 100 Tigers attacked the police station at Eravur on Monday night with mortars, rocket-propelled grenades and automatic weapons, injuring six Indian soldiers and one Sri Lankan policeman.

Police said they recovered weapons, police uniforms and more than 5kg of gunpowder on Tuesday at a university campus where a banned Marxist group is believed to be active.

Iraq makes fresh raids on Gulf shipping

IRAQ yesterday reported a fresh series of raids on shipping in the Gulf and regional shippers said several crewmen were wounded aboard a Cypriot bulk carrier, Reuter reports from Bahrain.

Shippers said at least one French-made Exocet missile smashed into the 27,244-tonne bulk carrier Mimi M in the northern Gulf at midnight on Tuesday. A fire aboard was extinguished and the vessel sailed under its own power to the Iranian port of Bushehr.

The military in Baghdad said Iraqi aircraft had also hit two more vessels off Iran's northern Gulf coast yesterday. It said all aircraft returned safely.

The latest Iraqi strikes came as Iran stepped up its attack on Gulf shipping, hitting its second tanker in two days and forcing ships to queue for interrogation on entering the waterway.

Truce called in Uganda clashes

KENYA and Uganda began moves to normalise relations yesterday after two days of border clashes which left at least four people dead and displaced thousands, Reuter reports from Nairobi.

The guns fell abruptly silent about two hours after nightfall on Tuesday when both countries issued statements calling for an end to the clashes. The border remained closed.

Mr Charles Katungi, Uganda's high commissioner in Nairobi, said he was seeking an appointment with the the Kenyan authorities to present his government's demands for normalising relations.

He said Kenya was making similar moves in Kampala. President Yoweri Museveni has also appealed to the Organisation of African Unity to intercede.

Each country blames the other for the shooting, which erupted at the main crossing, Busia, at midday on Monday and spread along 50 km of border.

Takeshita stills fears of Tokyo defence build-up

BY RICHARD GOURLAY IN MANILA

THE NEWLY elected Prime Minister of Japan, Mr Noboru Takeshita, yesterday said his government would never again become a military power after fears surfaced this week among leaders of six South-East Asian Nations meeting in Manila.

There is no intention of reviving the old Japan, Mr Takeshita said after the Asean summit. All the Asean countries - Thailand, Malaysia, Indonesia, the Philippines, Brunei and Singapore - were occupied or controlled by Japan during the Second World War.

The concern has been sparked by a rise in Japanese defence spending slightly above a limit of 1 per cent of gross national product, which the ruling Liberal Democratic Party has adhered to since the war, and the increasing share of the budget it is taking.

Mr Lee Kuan Yew, the Prime Minister of Singapore, has been one of the more vocal Asean leaders to voice concern about the build up of Tokyo's defence spending. He is also concerned that one day Japan might leave the US defense umbrella and go it alone, a diplomat said.

Asean leaders raised the question of the Japanese military's increasing share of the budget in private meetings with Mr Takeshita during the summit which ended on Tuesday, Asean diplomats said.

On Tuesday, Mr Takeshita told the summit, in his first foreign speech since taking office, how important his country's rejection of the path to military power is to Japanese relations with Asean. He referred to the "keen sense of self-criticism of every Japanese on the deplorable history of the last war.

Takeshita - careful words

He said a $2bn fund for the encouragement of private sector joint venture investments in Asean which he announced on Tuesday was designed to contribute to regional stability.

Since Japan started to feel the effect of competition from newly industrialised countries and the strong yen on the heavy industrial base on which its post war growth has been based, there has been some increase in pressure from industrialists to boost defence spending.

This pressure is to some extent checked by the constitutional ban on developing the potential for war, a ban on exports of arms and to a lesser extent, the strongly anti-militaristic feeling of ordinary Japanese.

Japan takes soft line on currency intervention

BY OUR MANILA CORRESPONDENT

MR Noburo Takeshita, the Japanese Prime Minister, yesterday appeared to rule out unilateral intervention in the currency markets, despite the yen's rise to record levels against the dollar, when he said "only God could tell" how far the dollar would fall or his own currency rise.

Japan's new Prime Minister said there should be close international co-operation on monetary and fiscal policies and repeated the need for policy co-ordination between major currency countries. He did not call for a new meeting of the industrialised group of seven countries.

Japanese officials yesterday took advantage of their visit to the summit to sign the 14th yen package of aid with the Philippines. It covers Y50bn for projects over the next five years and Y30bn for comodity purchases over two years and is an increase over the 13th package of Y25bn.

AMERICAN NEWS

Deaver is convicted on perjury charges

By Lionel Barber in Washington

MR MICHAEL DEAVER, a former top White House aide and friend of President Reagan, was convicted yesterday of committing perjury while denying charges of improperly using his influence as a highly-paid Washington lobbyist.

Mr Deaver, 49, was found guilty on three charges of lying under oath to a grand jury and a congressional committee investigating his activities. He was acquitted on two charges but still faces a maximum 15 years in prison and a $22,000 fine.

Mr Deaver was one of Mr Reagan's closest aides as deputy White House chief of staff before leaving in May 1985 to form a Washington lobbying firm. Within months he was collecting six-figure retainers from clients including the South Korean and Canadian governments, Rockwell International, Boeing and the Phillip Morris tobacco company.

During his trial, a succession of senior Reagan Administration officials, past and present, including the US Secretary of State, Mr George Shultz, and President Reagan's former national security adviser, Rear Admiral John Poindexter, testified on his behalf.

After 27 hours deliberation, a federal jury of seven women and five men reached a verdict convicting Mr Deaver of violating the Ethics in Government Act. It is the first time the Ethics Law – which prohibits former top officials from lobbying government for at least one year – has been used against a White House official.

Mr Deaver, a confidant of the Reagans for more than 20 years including the time when Mr Reagan was governor of California, smiled sadly to his wife in the Washington courtroom when the verdict was announced. Sentencing is expected in February.

Mr Deaver's last hope of a reprieve may rest with a legal challenge to the constitutionality of the Ethics Law, which provides for a federal panel of judges to appoint an independent prosecutor to investigate serious crimes by senior federal officials.

An independent counsel is leading a criminal inquiry into the Iran-Contra scandal. On Tuesday, President Reagan signed a bill reauthorising the office for another five years while expressing reservations over the consitutionality of the law.

Post-crash complacency likely to crowd out warnings of economic crisis

Anthony Harris in Washington assesses the impact of an independent view of the world economy

"THE TROUBLE with your report is that it reads just like a Louvre communique with numbers," said an experienced American reporter confronted with the proposals on the world adjustment problem released by the Washington-based Institute for International Economics.

"What makes you think it can change anything? Even you say that the US economy is in good shape at the moment. Do you think any US politician is going to want to spoil that in an election year?"

Mr Fred Bergsten, the former Carter Treasury under-secretary who heads the institute, understands perhaps better than any of its other authors the difficulty of creating a sense of crisis in a prosperous economy.

The main hope of attracting any serious political attention lies in Wall Street, he concedes.

"A real dollar crisis or a second crash – and we could only too easily see both within the next six months – might do it," he says. "After all, we have produced deflationary packages in three out of the last four election years, so the thing is not politically impossible."

While a dollar crisis may well be postponed by determined intervention by the Japanese and European central banks in defence of their own competitiveness, Wall Street economists see a strong possibility of a secondary crash, starting this time in the bond market.

"The business economists are forecasting a recession, the Federal Reserve is afraid of one and the bond market is hoping for one," is how one of them put it. "But all the evidence at this moment suggests that the economy is actually pretty strong. The moment of truth will come when the bond markets decide we are not going to have a recession after all. Rates could easily go up 200 basis points in a day or two."

Such an event might persuade the politicians to devote an hour or so to the the 15 closely reasoned pages of the IIE report and mend their ways – but not even Bergsten regards this as a plausible scenario.

"They might look at it, but they might easily decide not to do anything," he concedes. "It does rather look as if the last crash frightened them into thinking about the budget, then let them off the hook. Everyone was arguing that the crash would deflate the economy and help to put the balance of payments right, so why should they do anthing dramatic?"

Apart from this Catch-22 aspect of deflation through the financial markets, the present Administration might well choose a different route from the path mapped out by the IIE.

Policy co-ordination has not produced any noticeable results so far and a growing number of Republican voices are urging that it was a bad idea in the first place. Mr Herbert Stein, who was in President Nixon's cabinet, like Mr Beryl Sprinkel, who is in Mr Reagan's, argue that the market will do a quicker, cleaner job.

That view is one of the main targets of the IIE report. The familiar nightmare of economist Stephen Marris of a dollar collapse leading to a 1929-type depression is rehearsed. It is also argued that the uncertainty which results from market-determined exchange rates will inhibit investment in the private sector

For two reasons, though, this message too may command less US attention than it deserves. First the Marris message has been before the public for some three years now and the disaster has not happened. The public finds it hard to tell the difference between long-range economic foresight and crying "Wolf."

The turbulence of exchange rates is more generally recognised as a headache, but this is the one problem for which the report fails to prescribe a cure. The 33 economists who drafted it and managed to achieve unanimity on a whole range of tough recommendations, fell out on this question.

Resolving the Global Economic Crisis: A Statement by Thirty-three Economists from Thirteen Countries, available from the Centre for Economic Policy Research in London, 6 Duke of York St, London SW1. 01-930-2963.

Mexico unveils anti-inflation package details

BY DAVID GARDNER IN MEXICO CITY

THE MEXICAN Government has unveiled the full details of itsanti-inflation measures. The package is closer to existing policies than the more radical proposals the goverenment had been examining over the past fortnight.

The cornerstones of the beefed up anti-inflation policy are fiscal adjustment, voluntary wage and price controls and cheaper imports. In addition to Monday's 22 per cent devaluation and Tuesday's halving of import tariffs, the package, a tripartite accord between government, unions and the private sector, contains budget cuts, big public sector price rises, and a new system of price and wage indexation.

President Miguel de la Madrid, announcing the plan on Tuesday night flanked by his full Cabinet and business and workers' leaders, said: "I know this is a pact which will please no one." But he argued that this was all that could be done to save Mexico from hyperinflation. Inflation in Mexico is running at an annual rate of 144 per cent, according to official figures.

The President rejected the notion of a "heterodox shock" anti-inflation plan of the type introduced in Argentina, Brazil and Israel in 1985-86. A variant of these plans, using cheap imports instead of a price freeze to control prices, was one of the main options considered by the Cabinet.

The main features of the package, known as the Economic Solidarity Pact, are:

- Unspecified budget cuts equivalent to 1.5 per cent of gross domestic product and plans to speed up the sale and liquidation of public sector companies.
- Increases of up to 85 per cent, effective yesterday, on fuel, telephone and electricity charges, air and rail travel, fertilisers and other public sector goods and services, along with the elimination of a range of tax breaks and subsidies. This should yield another 1.5 per cent of GDP.
- The halving of import duty, with maximum tariffs cut from 45 to 20 per cent, and a target of a weighted average of 12 per cent.
- A 15 per cent wage rise now, plus 20 per cent in January for all workers, and a system of forward indexation of wages from March until inflation comes down to 2 per cent a month. Forecast inflation will thus be used as the lead indicator by which unions set their monthly wage rises and businesses their monthly price increases.
- The aim appears to be to hold the peso where it is after Monday's devaluation, at least until March, though the pact leaves exchange rate policy, one of the main causes of inflation, carefully undefined.

The pact's slow motion presentation appears to have further stoked the fires of speculation.

US protest gesture in vote on Chile loan

THE US has abstained on a World Bank vote on a $250m structural adjustment loan in protest at Chile's human rights record, **writes Mary Helen Spooner in Santiago.**

The loan, the third such credit to Chile in as many years, was approved on Tuesday in Washington with 15 votes in favour, five abstentions and two against. The no votes were cast by two European blocs led by Italy and the Scandinavian countries. Britain, which controls 5.7 per cent of the votes, approved the loan.

Chile is to receive half of the loan immediately, and the rest 12 months later. The loan approval had appeared uncertain with speculation that the US, which controls 20 per cent of the vote, would lobby other World Bank member countries to block the loan.

In Santiago, the British, American and West German binational chambers of commerce had urged their governments to approve the credit for Chile, noting the performance of the country's economy, which grew by 5.7 per cent last year and is expected to show a similar increase for 1987.

The loan will be used to boost Chile's exports and to cover its current acount deficit, which has been running at $1bn a year.

Chilean budget director Mr Jorge Selume, who announced the loan approval in Santiago, said it marked the completion of the strategic adjustment programmes to which Chile subscribed in the World Bank in 1985. He predicted that Chile would not need a fourth loan.

Early this year Chile signed an innovative retiming accord with its private creditors which did not entail new commercial loans but which provided for interest payments on an annual basis, saving the country $450m.

World Bank approval of the $250m credit for Chile comes during the visit of a United Nations envoy, Fernando Volio, who is preparing a special report on human rights. On Tuesday the Chilean human rights commission presented Mr Volio with a 1,100-page document detailing such abuses. According to the commission, roughly 100 people per month are receiving death threats from right-wing extremist groups whom many suspect have ties to Chilean security organisations.

Air Canada deal saves its Christmas flights

BY DAVID OWEN IN TORONTO

AIR CANADA and representatives of the International Association of Machinists and Aerospace Workers yesterday signed a tentative agreement to end the labour dispute which has grounded the airline since November 27.

The deal ensures that the company, whose flights represent about half of the Canadian airline market, will be operational in time for the peak holiday travel season.

As expected, the agreement includes a formula for the partial indexation of pensions to the cost of living. This has become something of a preoccupation in the Canadian union movement since the Canadian Auto Workers secured contracts providing for the partial indexation of pensions for retired members from the Big Three North American carmakers in September.

The Air Canada agreement guarantees that payments to retirees will rise by 50 per cent of future cost-of-living increments. There is an 8 per cent inflation ceiling beyond which indexation will not apply, however.

This effectively limits automatic pension increases to an annual 4 per cent. The indexation agreement will initially apply for five years.

The airline, which employs some 8,500 of the association's members as groundworkers, also agreed to wage increases of between 4 and 5 per cent a year for the duration of the three-year contract. Its demands for the right to make more use of part-time workers in return for these concessions were finally dropped.

A previous tentative settlement providing for no indexation pensions was overwhelmingly rejected by union members in October.

Steep rise in US capital spending predicted

By Our Foreign Staff

US REAL capital spending is expected to rise strongly by 7.3 per cent in 1988, despite the stock market collapse, the Commerce Department reported yesterday.

This would be the biggest increase in spending on new plant and equipment since 1985, when it rose 9.6 per cent. In 1986, real capital spending fell 2.6 per cent. Spending this year is now estimated to have risen by 2.3 per cent.

The Commerce Department said real capital spending increased 4.7 per cent in the third quarter of 1987, following a 0.7 per cent increase in the second quarter. The latest estimates indicate a 6.3 per cent increase in fourth quarter capital spending and a 2.4 per cent rise in the first quarter of 1988.

The spending estimate, the department's first projection of 1988 spending, was based on a survey taken in October and November after the stock market crash. Manufacturing industries were expected to raise spending by 8.6 per cent after a 3.1 per cent increase in 1987, the survey showed.

Brazil keeps up debt moratorium

BRAZIL is to continue its moratorium on debt principal payments to Paris Club creditors into the New Year, **writes Ivo Dawnay in Rio de Janeiro.**

Brasilia has failed to pay $1bn of principal due this year on loans made before March 31 1983.

Interest on loans, largely from foreign governments' export guarantee agencies, is still being paid.

Ambassador Rubens Barbosa, the Finance Ministry official responsible for international affairs, said Brazil simply lacked funds to cover the payments.

Nicaragua peace talks face failure

By Peter Ford in Managua

NICARAGUA'S opposition has threatened to pull out of the dialogue with the Sandinistas unless they agree to reforms.

Following aggressive speeches by two Sandinista leaders, the move brought relations between the government and the opposition to a new low, and threatened hopes of reconciliation and democracy through Central America's peace plan.

Opposition groups from both left and right gave the government six days to agree to 17 constitutional amendments they say are needed to ensure democracy in Nicaragua.

The Sandinistas are not expected to bow to the demands, which include new limits on the president's powers, a ban on presidential re-election and clear distinctions between the roles of the army, the ruling party and the state.

Representing the government at the 10-week-old "national dialogue," required under the Arias peace plan, Comandante Carlos Nunez argued that only the National Assembly has the authority to change the constitution.

Since the Sandinista Front has a two-thirds majority in the assembly, opposition leaders see little chance their reform proposals would prosper there.

Meanwhile conservative party leader Miriam Arguello warned on Tuesday that opposition figures "hold the government responsible for anything that might happen to any of us."

That caution followed a fierce speech by Defence Minister Humberto Ortega last weekend, in which he accused opponents of "taking seditious attitudes".

TRADE NEWS

Nigerian debt proposals 'are unsatisfactory'

BY PETER MONTAGNON, WORLD TRADE EDITOR

MR David Murison, the London-based accountant who has been acting for creditors in rescheduling negotiations on some $3.25bn in uninsured Nigerian trade debts, has refused to endorse a controversial restructuring plan due to be put formally to creditors next month.

In a letter of invitation to a creditors' meeting on January 14 at the meeting in the Wembley Conference Centre near London, Mr Murison said the proposals were unsatisfactory.

"I do not regard the proposals now before the holders of the notes as satisfactory, nor in any way comparable with the terms currently agreed by the Nigerian authorities with members of the Paris Club and the London club of commercial banks."

However. he said they were the best he could obtain. "The Federal Ministry of Finance (in Lagos) was not prepared further to improve them."

First unveiled in September, the rescheduling proposals would extend the life of the debts to 2010. Acceptance would theoretically end the row between Nigeria and its uninsured trade creditors over non-payment of supplier credits not covered by an official export credit agency guarantee.

Market expectations are that noteholders will reluctantly agree to the proposals next month, but the meeting may be stormy.

Among the outstanding concerns of creditors was a decision by Nigeria not to acknowledge further claims amounting to some $2bn which trade creditors have lodged with Nigeria.

Mr Murison, who took up the negotiation with Nigeria on behalf of the Law Debenture Trust as trustee for the debt, acknowledged in his letter that this decision "was open to much criticism."

However, his letter of invitation makes it plain that Nigeria's acute shortage of foreign exchange means it is unlikely to be able to improve its offer. If creditors accept, they will receive an initial payment, amounting to 1.25 per cent of the amount outstanding in April next year.

Michelin in venture to build Thai tyre plant

BY PAUL BETTS IN PARIS

MICHELIN, the French tyre group, is extending its presence in the Far East with a joint venture in Thailand. It has linked up with Siam Cement, Thailand's biggest industrial conglomerate, to build a car tyre plant.

At the beginning of this year, Michelin, the world's second largest tyre group after Goodyear, teamed up with Wuon Poong, the third biggest South Korean tyre maker.

The new joint venture, called Michelin Siam Company, will be controlled by the French group. It plans to build the tyre plant in Thailand's new industrial port complex of Laem Chabang, about 100 miles from Bangkok, and production is expected to start at the end of 1989, with an initial output of about 1.7m tyres a year.

Michelin's move into Thailand reflects the French tyre group's efforts to expand in the Far East market after consolidating its position in its traditional European market and building up a major industrial and commercial presence in North America.

It is expected to develop new ventures in the Far East following the establishment of commercial subsidiaries in Japan and Hong Kong and the investments in manufacturing plants in South Korea and now Thailand,

Thailand's heavy duties on imported cars and tyres prompted Michelin to invest in a manufacturing facility in Thailand as was the case earlier this year in South Korea.

Michelin's partner in Thailand has a 30 per cent share of the local Thai tyre market where the Japanese Bridgestone group is the market leader with about 40 per cent.

Siam Cement entered the tyre market in 1982 when it took a 30 per cent stake in Firestone's Thai operations. It then gradually took control of the Firestone assets which included a tyre manufacturing plant.

Soyabeans new focus of US-EC conflict

By Nancy Dunne in Washington

SOYABEANS yesterday became the latest focus of US-European Community trade conflict when the American Soyabean Association (ASA) filed an unfair trade complaint over subsidies granted to Community producers and processors.

Mr Wayne Bennett, ASA president, declared "US farmers are mad as hell" and that the Community practices had eroded the value of the American markets from $3.5bn in 1982 to $2.1bn last year.

In a petition filed with the Office of the US Trade Representative, the ASA charged the EC with employing unfair trade practices which discriminate against the import and utilisation of US soyabeans and soyabean meal.

It maintains that the Community's internal oilseed and protein crop subsidies to farmers, and oilseed processors are inconsistent with the General Agreement on Tariffs and Trade and nullify and impair the duty-free bindings on soyabeans and soyabean meal granted to the US by the EC.

"What is at stake here is the most important agricultural trade concession ever achieved by the US in the Gatt and the market for over 40 per cent of US soyabean exports and almost 10 per cent of total US agricultural export value," Mr Bennett said.

The petition asks the trade representative to "initate an investigation into the Community's subsidies and take such action as is necessary to bring an end to the EC's unfair trade practices".

The Community has argued that the decline in US exports results from falling beef consumption, competition from other feed grains and reduced EC dairy production.

In July, the EC cut soyabean price supports by 3 per cent and extended to soyabeans a production ceiling beyond which price supports are limited.

The ASA, however, is asking for the "elimination or satisfactory modification" of the Community's oilseeds programme.

It argues that the processing subsidies have sharply boosted internal oilseed crop production at the expense of US imports. "This year, the EC is guaranteeing its farmers over $15 per bushel for all the soyabeans they can grow," Mr Bennett said.

"By comparison, our soyabean support level is $4.77."

Bob King in Taipei on growing commercial links with Peking

Chinese triangle lures Taiwan

IN TAIWAN'S more relaxed political climate, local businessmen are gearing up for more formal commercial relations with China – in spite of official policies that still prohibit direct trade with the mainland.

Several Taiwanese companies in labour-intensive industries such as footwear, apparel and low-end consumer electronics products have already set up manufacturing operations in China, using citizens of third countries such as Hong Kong, who are not subject to the political constraints that govern the movements and operations of Taiwanese residents.

Many businessmen in Taiwan are considering or have begun operations in China, combining cheaper Chinese labour with Taiwanese components and know-how.

These businessmen believe that Taipei's recent lifting of a 40-year ban on visits to China and its implicit endorsement of triangular trade with the mainland implies a tacit approval of more formal business contacts – including investments through third countries.

China's lure for the pragmatic Taiwanese is greatly reduced manufacturing costs. The Taiwan dollar has appreciated by more than 25 per cent against the US dollar over the past two years. That makes the country's exports much more expensive abroad and especially in the US, which normally buys about half of Taiwan's exports.

Labour costs have also been rising by 10 to 12 per cent a year and are now, according to one estimate, the second highest in the region after Japan. By contrast, the average Chinese wage is about $30 (£16.40) a month and the dollar exchange rate of the Chinese currency has fallen from 3.3 renminbi yuan two years ago to 3.7 yuan today.

Peking has offered incentives to the Taiwanese because the Communist regime believes that increased commercial links will speed up unification of Taiwan with the mainland. Taiwanese investors receive preferential rates on loans and low rentals on land and factory sites as part of this programme.

The political motives for Chinese inducements to Taiwanese business is the main reason why Taipei continues to prohibit direct investment. Taiwan's Nationalist Government still maintains that it is the rightful ruler of all China.

But the Government is falling out of touch. Businessmen, as well as academics and members of Parliament, increasingly believe that there can be business contacts and even investment in China without sacrificing Taiwan's dignity or security.

Recently a group of economists, business leaders and members of parliament held a symposium on trade with China, during which it was suggested that the Government could relax its prohibitions without abandoning its official stance toward the mainland.

One MP proposed the establishment of a private organisation to provide information on trade and investment in China. He also recommended setting up an arbitration office in a third country to deal with trade disputes that might arise.

The Government reacted predictably to these and other proposals by falling back on the official line. But that line is wearing increasingly thin as the private sector seeks its own solutions to both the economic constraints on Taiwanese industry and the political implications of business involvement with China.

One respected Taiwanese businessman believes that Taiwan can smooth out the contradictions of ideology, demonstrate Taiwan's "better way" to the Chinese and make money at the same time.

The businessman bought up used shoe-making machinery from factories in Taiwan and shipped it to 11 locations in China. He pays for the machinery, material and labour and guarantees the Chinese factories 70 cents a pair for the shoes they produce. He makes about three times the profit he would in Taiwan.

He originally considered joint ventures with the Chinese, but backed off when he realised he could not send in trusted Taiwanese to oversee the operations. Instead, he employs Hong Kong Chinese to co-ordinate manufacturing and shipping.

Apart from purely economic considerations, he believes better relations would improve the standard of life in China and lessen tensions on both sides of the Taiwan Straits. "Helping the Chinese people get rich is the best way to oppose Communism," he says.

At the same time, he is wary of Chinese promises and guarantees. He plans to move his co-ordination centre from Hong Kong to Singapore in five or six years, in spite of Deng Xiao Ping's assurances about Hong Kong's future and will not increase his exposure in China until Taipei relaxes its policies towards the mainland.

"You cannot invest directly in China unless you have relatives there who can be trusted to oversee what's going on with your business," he says.

Alcatel may win Minitel terminals order

BY LAURA RAUN IN AMSTERDAM

ALCATEL, the French telecommunications group, could win a Fl 50m (£15m) order for 100,000 Minitel terminals, its largest foreign contract for videotex hardware, if an ambitious Dutch project succeeds.

Telematica Foundation, the Dutch group behind a Fl 100m five-year videotex project, will present its plans to domestic and French investors in Eindhoven today.

The venture capital companies, banks, and the Dutch PTT telecommunications agency will then have two months to decide whether to invest in the scheme, which will attempt to repeat France's success with Minitel. France pioneered videotex technology and has by far the largest number in operation.

The Telematica project hopes to attract money from, among others, VNU, the Netherlands' largest publishing concern, Ahold the country's biggest grocery-store chain, Vendex, a leading Dutch retail group, and Postbank, the innovative state-owned bank.

Mr Cees Rovers, secretary of Telematica Foundation, asserts, and other organisers are confident, that their project will work because of the system's proven popularity in France and its lower price.

The terminals work like a personal computer linked to a central databank. The user can call up information ranging from news to telephone directories, and can shop from home or play video games.

France boasts 3m Minitels compared with only about 80,000 videotex linkups in West Germany and around the same number in Britain. The Netherlands lags far behind with 30,000 linkups called Viditel, a system operated by the Dutch PTT using a television screen and a modem.

Alcatel, the group formed by the merger of France's Compagnie Generale d'Electricite and ITT of the US, is the main supplier of Minitel terminals and is likely to win the Dutch contract if it materialises. Les Editions Amaury, the French publishing concern which provides Minitel programmes, is interested in supplying them in the Netherlands.

Purchase of the 100,000 Minitel terminals over five years would cost Fl 50m and the remaining Fl 50m would be used for installation, instruction, maintenance, advertising and interest payments, according to Mr Rovers.

Venture capitalists, involved in the launch of Telematica Foundation, are also expected to invest. Another major hurdle is the extent to which the Dutch PTT participates, a question complicated by its privatisation on January 1, 1989.

After that date the PTT will be obliged to provide the necessary telephone lines but would decide on commercial grounds whether to help the Minitel project, for example, by collecting user fees through regular telephone bills. So far the PTT has been distinctly cool.

The Telematica scheme promises to provide videotex services more cheaply than in the past, Mr Rovers claims. The terminals would be furnished free of charge and monthly fees would depend on how often the services are used.

The cost will be only a fraction of that charged for the the PTT's Viditel. Another advantage of the Minitel is that it involves a separate terminal instead of a TV screen, according to Mr Jasper van der Schoot of Rotabest, a text processing subsidiary of VNU. This is crucial in winning over the consumer market, he notes.

By the middle of February it should be clear whether enough investors think Minitel can make money in the Netherlands.

Hong Kong defends currency stance

By David Dodwell in Hong Kong

HONG KONG'S claim to be a special case in defying US pressure for major trading partners in Asia to revalue their currencies against the US dollar was defended yesterday by Mr Piers Jacobs, the British Territory's Financial Secretary.

Quashing recent rumours that a revaluation was being considered, Mr Jacobs said the Government had "absolutely no intention of altering the rate, or abandoning the system" under which the Hong Kong dollar is linked to the US unit at a rate of HK$7.8 for every US dollar.

He pointed to three factors that set Hong Kong apart from other newly industrialising countries (NICs) in Asia - prominently Taiwan, South Korea and Singapore - all of which, with Hong Kong, maintain substantial positive visible trade balances with the US:

- **The growth rate of US exports to Hong Kong is the highest among the Asian NICs.**
- **The growth rate of US imports from Hong Kong is the lowest among the Asian NICs.**
- **The growth rate of the US trade deficit with Hong Kong is the lowest of all the Asian NICs.**

"As far as the US is concerned, we are a well-behaved trading partner," Mr Jacobs said.

Speculation that a revaluation was imminent has put great strain on the link rate in recent weeks. Despite a precipitous fall in inter-bank overnight interest rates, the HK$ has been straining at the upper limits of the link range. It was quoted late yesterday at HK$7.765 to the US unit.

Hong Kong is alone among the Asian NICs in resisting US pressure to revalue its currency, this defence resting heavily on the argument that the territory is an entirely open market, and thus a model of what US officials would like to see elsewhere.

Mr Jacobs predicted yesterday that the world stock market crash, and uncertainty in the US market, was certain to have a knock-on effect for Hong Kong exporters.

UK NEWS

Newton acts on health pressures

BY PETER RIDDELL AND ALAN PIKE

THE GOVERNMENT is to provide an immediate £101.8m to ease pressures on the National Health Service in the current financial year and it will take action to ensure continued real growth next year.

Following the recent crescendo of complaint from leading doctors and the medical profession about a crisis in the NHS, Mr Tony Newton, the Health Minister, announced measures intended to deal with current cash pressures, and confirmed the allocation of an extra £707m to hospital and community services in England in 1988-89.

Moreover, the Treasury will also fund the vast majority of the cost of restructuring nurses pay to a new, higher level which is now being considered by the official review body.

Together with an expected £159m from the continuing cost improvement programme and between £10m and £20m from new schemes to generate income, ministers claim there will be over 3 per cent real improvement in NHS resources next year.

However, the Treasury has only agreed to provide extra money this year in return for a significant tightening up of the present monitoring of health authorities' performance, spending and use of resources which it feels are at present inadequate.

This is because, as Mr Newton told members of parliament yesterday, current monitoring procedures had revealed "a shortfall in income that could only be eliminated by short-term measures that would not improve health care or efficiency." He described this as "clearly unacceptable." The difficulties are the result of the carrying forward of deficits by many health authorities.

Mr Newton's announcement was generally welcomed by Conservative MPs, including those who have recently been critical of the Government's record. However, Mr Robin Cook, the Labour Party's social services spokesman, said the measures did not go far enough to deal with the funding shortfall and predicted further cuts in services.

The general view among Tory MPs is that the Government had taken the necessary steps to head off the immediate criticism by doctors which had become politically damaging. However, several MPs stressed the need for further action and a wider debate on the funding of health care. Mr Newton talked of encouraging income generation opportunities and partnerships between the public and private sectors.

In detail, Mr Newton announced that health authority cash limits throughout the UK have been increased by almost £90m, of which £75m is in England, including £10m to deal with the particular pressures from the rising number of AIDS cases in London and the south-east.

It is now for regional health authorities to decide how the allocations of money announced yesterday – both the additional £101.8m and the £707m-worth of cash increases for 1988-89 – will be divided among their districts.

Mr Newton stressed that, in spite of the recent flurry of publicity about ward closures, bed losses and other cuts in the hospital service, the injection of the extra cash this year would not necessarily rescue every lost bed. It had to be understood that some closures were taking place as part of sensible rationalisation programmes by health authorities.

The extra allocation for this year was "not a chunk of money designed to stop every possible change taking place simply because there is controversy locally.

The Institute of Health Service Management yesterday called for an urgent meeting with the Prime Minister to seek ways of avoiding a repetition of the current cash problems in the NHS. Injecting relatively small sums of cash and proposing "irrelevant schemes such as lotteries" did not offer a long-term solution, said the Institute. There must be an immediate review of the way arrangements were made for managing and funding the NHS.

Yesterday's announcement of extra funds for this year will be welcomed by hard-pressed health authorities. But it remains approximately half of what hospital consultants and health service managers have argued will be needed.

The Government is determined to ensure that the quest for further efficiency and income generation must continue in the health service.

Mr John Moore, Social Services Secretary, and Mr Newton will next month meet the presidents of the Royal colleges, which have become involved in the controversy over the state of the NHS. A small unit is being set up in the Department of Health and Social Security which will advise health authorities on ways of generating income.

Poll tax bill attacked by rebel Tory MPs

BY PETER RIDDELL, POLITICAL EDITOR

THE BILL to replace domestic rates (property taxes) by the universal community charge or poll tax was yesterday strongly criticised in the House of Commons by several prominent Conservative members of parliament, including Mr Michael Heseltine, a former Environment Secretary.

He described it as "politically disastrous" and "expensive, ineffective and unfair." He said it would be known as a Tory tax, "a granny tax" which would hit family life and old people. Responsibility would be directed precisely and unavoidably at the Government, Mr Heseltine added.

The measure, described by Mrs Margaret Thatcher as the "flagship" of the current legislative programme, is nonetheless assured of a second reading tonight at the end of a two-day debate.

Conservative business managers reckon that, depending on whether Tory rebels abstain or vote against the bill, the Government should have a majority of 50 or more. This would still be the largest revolt since the June general election.

The main vote will be on the second reading of the bill after Mr Bernard Weatherill, the Speaker, yesterday ruled out of order a motion backed by over 40 Tory members of parliament, instructing the standing committee on the bill to consider banding the level of the charge in relation to ability to pay. He said this could be covered by ordinary amendments.

Mr Nicholas Ridley, the Environment Secretary, attacked a banded charge as "the worst of all worlds" which would produce very high marginal rates of tax and local brain drains between authority areas.

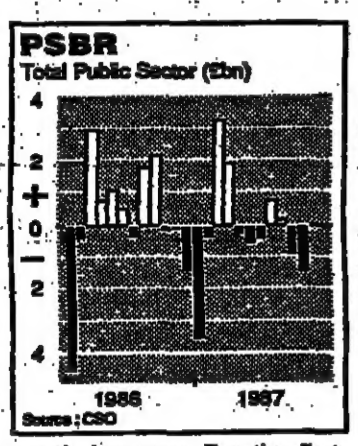
Mr John Cunningham, Labour's environment spokesman, said the poll tax represented the abandonment of fairness in local taxation and unprecedented central control.

● Mr Heseltine and Mr Norman Tebbit, the former Conservative Party chairman, have underlined their new co-operation by agreeing to table an amendment to the education reform bill urging the abolition of the Inner London Education Authority.

Public sector surplus result makes Spring tax cut likely

BY SIMON HOLBERTON

THE PROSPECT of tax cuts in next Spring's budget was heightened yesterday by provisional Government figures showing a public sector surplus of £1.6bn last month.



The figures for the public sector borrowing requirement (PSBR) also underline the current strength of the UK economy. Revenues from taxation are ahead of the Treasury's expectations and there is a lower rate of increase in Government expenditure than first forecast.

Independent economists now expect that the Government will be able to achieve a balanced budget at worst, and a budget surplus of £1bn or more, at best. The Government last balanced its budget in 1969-70.

Mr Stephen Hannah of County Natwest, the investment banking arm of National Westminster bank, said: "The coming budget offers the Chancellor his best chance to lower the basic rate of taxation to 25p, which has been his objective for some time."

November's surplus of £1.5bn compares very favourably with a surplus of £15m for the same month last year. For the first eight months of 1987-88, the cumulative surplus was £1.1bn compared with a cumulative public sector deficit of £5.7bn. The cumulative PSBR, excluding privatisation receipts, was provisionally estimated to have been £3.8bn compared with £7bn in 1986-87.

Mr Nigel Lawson, the Chancellor of the Exchequer, forecast last month that the PSBR would be in deficit by £1bn by the end of the financial year.

The Treasury was cautious yesterday and said movements in the PSBR could be quite volatile during the last months of the financial year.

Last month's figures benefited from payments to the Treasury totalling £1.5bn, from UK institutions for the purchase of BP shares in October. Some of this benefit will be lost if the Bank of England is forced to buy back BP shares when its price support scheme expires on January 6.

Trends in taxation receipts and Government expenditure were encouraging. Revenues were 12½ per cent higher in the first eight months of this financial year, against a Government forecast of 8¾ per cent higher for this year.

Revenues from personal and company taxes in November was 12 per cent higher than a year earlier and value added and customs and excise receipts were up 6½ per cent. Government expenditures were 5½ per cent higher than a year earlier.

John Lloyd reports on Labour's new attitude to the EC

Kinnock warms to Europe

MR NEIL KINNOCK, the Labour Party leader, has signalled a new approach by his party towards the European Community.

In a letter to Mr Enrique Baron, the Spanish Socialist member of the European Parliament (MEP) who chairs the committee charged with drafting the Socialist manifesto for the 1984 Euro-elections, Mr Kinnock says that he wants the Labour Party to use the text of the manifesto agreed by the Confederation of European Socialist Parties instead of issuing its own manifesto - the first time the party has done so.

The move is the more significant since it is certain that the manifesto will reflect the broad, if qualified, support of the European Socialist Parties for the internal market reforms now being steered through the Community's bodies by Lord Cockfield, the Trade Commissioner.

The manifesto is also certain to mirror the strong commitment to the Community which all other Socialist parties in the member countries, apart from the Danes, have long had.

The British Labour Group of MEPs, though no longer as hostile to the Community as in the recent past, have been reluctant to express support for the reforms. They doubt that the reforms would be counterbalanced by social, regional and infrastructural changes which could cushion the harsher effects of liberalising the European market.

Mr Baron yesterday said Mr Kinnock had been the only Socialist leader so far to write to him in such positive terms. He said he believed it marked a new stage in the relationship of the British Labour Party to the Community.

Mr Kinnock's letter says that: "The Labour Party has been exploring the European dimensions of its policy in a constructive way and we would hope that our work with our comrades in Europe will reflect that.

"Naturally we will have our own campaigning material.. however, I would like to maximise the use of the Confederation's manifesto in our own campaign and if at all possible avoid the necessity for the British Labour Party to produce a separate manifesto to that agreed collectively by the Confederation (of Socialist Parties)."

The Labour leader says; "We must project realistic objectives for the European Community until the mid-1990s, when the next European Parliament will dissolve. We must be seen as the force for progress and change - the people who are able to deal with today's realities and prepare for tomorrow's challenges."

He urges that the manifesto gives over its first major section to policies for "a competitive and productive Europe" in which the "opportunities" presented by the creation of a single internal market should be "subject to social control and geared to social objectives."

Mr Kinnock's manifesto proposals also include policies for the reduction of regional, sexual and ethnic inequalities; for the solution of the Community's financial crisis and the reform of the Common Agricultural Policy; and for a "distinctive and active European Political Co-operation which helps the process of disarmament."

UK NEWS

Building materials show 7% output rise

By Andrew Taylor

BUILDING MATERIAL producers yesterday added to the welter of statistics showing that Britain has enjoyed its best year for construction output since the early 1970s.

The National Council of Building Material Producers estimated that output had grown by 7 per cent this year. It said 1988 was likely to be another good year for construction although the rate of growth was likely to slow to about 5 per cent.

However, the council has reduced its forecast for 1989 following the stock market crash. Before the collapase in share prices the council had been forecasting a 2 per cent increase in output during 1989. It now expects output to rise by only 0.5 per cent.

Mr Nigel Chaldecott, director-general of the council, said it was still too early to assess the full impact of the fall in share prices on construction. For that reason any forecast for more than 12 months ahead should be treated with caution.

The council's forecast of a 5 per cent increase in output next year is higher than that predicted by other construction analysts. This is because building material producers have included the start of Channel tunnel construction in the projections.

The National Economic Development Office, which published its forecasts for British construction last week, excluding the Channel tunnel, is forecasting only a 3.5 per cent increase in output next year.

Savory Milln, the stockbroker, which published its forecasts of construction output this week, is predicting a 2.5 per cent increase in output in 1988 but has cut its forecast for 1989 from 2 per cent to 0.5 per cent.

The growth has been generated largely from the private sector. The number of starts made on private houses is expected to decline, although numbers will remain high. Commercial office, retail and industrial construction are also expected to rise further next year although some of these sectors may look more vulnerable as the end of the decade nears.

Late Opren claimants face compensation fight

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A SOLICITOR for Eli Lilly, US manufacturer of the banned arthritis drug Opren, has warned that alleged victims of the drug who are not included in Lilly's settlement offer face "a long haul" if they pursue legal claims against the company.

Several hundred claimants are excluded from Lilly's global offer – understood to be in the region of £2.7m – because they had not formally made their claims before the expiry of the January 31 deadline imposed by the High Court.

The 1,200 or so claimants covered by the offer, announced without any financial details last week, have been recommended by their solicitors to accept it.

Mr David McIntosh, of Davies, Arnold & Cooper, the London solicitor acting for Lilly in the Opren litigation, said that he was not suggesting that late claims were necessarily hopeless cases. However, each one would be challenged by Lilly, both on the limitation issue – the fact that it had not been made within the deadline – and on its merits.

If any claim surmounted the limitation obstacle, which Mr McIntosh doubted, Lilly would decide whether to offer compensation.

Mr McIntosh emphasised that there would be no global offer to the remaining claimants.

He denied that Lilly was sheltering behind a legal technicality – the time limitation point – to avoid compensating alleged Opren victims who were otherwise indistinguishable from those included in the offer.

He said that the matter had received wide publicity over a number of years and the High Court had twice extended the deadline for making claims.

Mr McIntosh said that Lilly was sticking to its demand that solicitors for the 1,200 people included in the offer must undertake not to act for other claimants not covered by the offer if they want to be told its details.

He said it would be "nonsensical" for Lilly to make a settlement proposal and then be faced with solicitors who had gained expertise and knowledge in the matter continuing as adversaries in claims not covered by the offer.

Mr McIntosh denied that solicitors who signed the undertaking would be in breach of their professional obligations.

The "handful" of solicitors whose clients included some covered by the offer and others not covered, could get out of their difficulty by passing their offer clients on to another solicitor, he suggested.

Next month six solicitors who act both for claimants included in the offer and others outside it will ask the High Court to relieve them of the undertaking. They went to Mr Justice Hirst, the judge who has been handling the Opren litigation, this week, but he said that there would have to be a proper hearing in January with Lilly's lawyers present.

One of the six is Mr Richard Barr, who has five clients covered by the offer and another 200 or so who are not.

Mr Barr said that he felt that he could not sign the undertaking – with the result that Lilly will not say how much is on offer to the five of his clients covered by it – because it would prevent him acting for the remainder.

Mr Barr said that, as a matter of principle, solicitors should not be put in a position where they had to choose between the interests of different clients.

Lilly, he said, was not only trying to silence the lawyers but also to remove their expertise from anyone else with a claim. The undertaking the company was demanding went well beyond what would normally be required of an English solicitor.

Air traffic continues to grow strongly

By Michael Donne, Aerospace Correspondent

UK AIR TRAFFIC continued at high levels last month, with BAA and British Airways reporting strong growth.

Air travel is regarded as a barometer of overall economic activity and the November figures indicate that, in spite of the collapse of the stock markets, there is still a substantial underlying demand.

BAA, formerly the British Airports Authority, which runs seven airports in the UK, said that last month those airports collectively handled 4.2m passengers, or 12 per cent more than in the corresponding month a year ago.

Traffic at the south-east airports (Heathrow, Gatwick and Stansted) was up by 11.4 per cent, while at the Scottish airports (Glasgow, Aberdeen, Edinburgh and Prestwick) it rose 17 per cent.

BAA said there was significant growth in main passenger markets, with domestic routes recording a rise of 14 per cent, the best result this year, while European scheduled services carried 13 per cent more.

North Atlantic traffic was up 15 per cent and other long-haul routes registered a collective increase of 8 per cent.

A similar situation was reported by British Airways. It said that during last month its traffic on scheduled services amounted to more than 1.5m passengers, up 10.8 per cent on a year ago, while total traffic including package tours and charters amounted to 1.56m, a rise of 8.4 per cent.

For the eight months of the financial year from April to the end of last month, BA's total traffic including tours and charters amounted to nearly 16.5m passengers, a rise of 15.2 per cent.

Yorkshire business improves

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

STRONG UPWARD trends in orders, deliveries and investment are leading to faster job creation and vastly improved business confidence, according to the latest quarterly survey of the Association of Yorkshire and Humberside Chambers of Commerce.

The association covers nearly 8,000 businesses in Yorkshire and Humberside, parts of which have a broader range of industries than most areas of the north. The survey – one of the largest in Britain – is the most comprehensive analysis of economic trends affecting the region and covers 14 industries.

The survey, covering the third quarter of this year, showed that nearly 60 per cent of businesses reported an increase in deliveries and orders.

Only 9 per cent shed labour in the quarter and only 4 per cent expected to do so during the current quarter. However, 40 per cent took on extra people and 34 per cent intended to do so before the end of this year. Both these figures are well up on last year, when the signs of economic recovery were beginning to appear.

The survey also reveals an increasing problem in recruiting skilled labour. In the second quarter of last year only 26 per cent faced such difficulty, but by the end of last summer the figure was up to 41 per cent.

Confidence is shown by increasing investment in buildings, with 26 per cent spending more on premises, compared with about 16 per cent last year. Nearly 40 per cent bought more plant and machinery in the quarter. Last year the figure was below 30 per cent.

The impact on sales will show in increased turnover next year for 77 per cent of respondents. Only 3 per cent expect turnover to fall. Economic recovery will show in increased profits, according to 61 per cent, with only 6 per cent expecting to make less in the next 12 months.

Car output falls in November

By John Griffiths

UK CAR output fell back in November for the second consecutive month from relatively high levels achieved mid-year. Trade and Industry Department provisional estimates show output, seasonally adjusted, of 87,000 units, compared with 92,000 in October and a high for the year of 110,000 in September.

Taking the latest six-month period as a whole, output was still 7 per cent higher than in the preceding six months and 15 per cent higher than in the corresponding period a year ago.

Seasonally-adjusted output of commercial vehicles at 20,000 units was little changed from that of the preceding month. For the latest six months as a whole, output was 4 per cent above the preceding six-month period and 8 per cent higher than in the corresponding period last year.

Lords welcome EC court plan

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CAUTIOUS welcome has been given by a House of Lords committee to a proposal that there should be a European Court of First Instance to relieve the workload of the European Court of Justice in Luxembourg.

The proposal originated with Lord Mackenzie Stewart, president of the European Court, which handles European Community litigation arising under the Treaty of Rome and community regulations.

The Court of First Instance would deal with about a third of the European Court's caseload including competition cases and appeals against fines under the Coal and Steel Treaty.

In a report published yesterday, the law and institutions sub-committee of the Lords select committee on the European Communities, recognised the need to provide some machinery to cope with the Luxembourg court's excessive caseload which, it said, was causing unacceptable delays and prejudicing the administration of justice.

The number of cases going to the court has more than tripled since 1970, with delays in obtaining judgments growing from nine months in 1975 to 21 months last year.

However, the report said that, as community law continued to develop, more cases would go to Luxembourg and, while the Court of First Instance would give a breathing space, it would not provide a lasting solution to the problems.

The report believed that the proposed jurisdiction of the Court of First Instance was unduly restricted. It also emphasised the need for the court to have high-calibre judges with expertise in commercial matters and suggested that one of the judges with specialist knowledge might give an opinion to a three-judge court in complex cases.

James Buxton talks to Malcolm Rifkind on his hopes for Scotland

Breaking the dependency habit

"A LOT of people are surprised that we haven't actually gone into a corner to lick our wounds and feel sorry for ourselves," says Mr Malcolm Rifkind, the Scottish Secretary.

"I think I am entitled to say that we have dominated the political debate in Scotland since the general election by continuing to pursue our policies."

Mr Rifkind is in charge of stepping up the dose of Thatcherism in Scotland in spite of the fact that the Conservatives received what he admits was a "mauling" in the general election, when 11 out of 21 Tory MPs lost their seats.

And while government policies on such matters as education, the economy and the community charge may dominate the debate in Scotland, opinion surveys and consultation procedures show that a large majority of Scots disagree with them. Many see them as being imposed on an unwilling populace by Downing Street.

But for Mr Rifkind the policies – adaptations for Scotland of the Government's third-term strategy – are "particularly relevant to Scottish requirements". They are part of a "strategic framework" aiming to foster an enterprise culture. "The development of an enterprise culture is more important to Scotland than almost any other part of the kingdom," he says.

The enterprise culture has not disappeared in Scotland in the past 40 or 50 years, he says. "It exists and thrives in many parts of Scotland. But we still have a disproportionately large expectation that the solution to economic problems must lie with government, whether central or local."

Mr Nigel Lawson, the Chancellor, told Scots recently that a "dependency culture" is to a large extent concentrated in the west of Scotland. There, Mr Rifkind says, it has been "reinforced by the political domination of the Labour Party in Strathclyde".

Mr Rifkind emphasises that although parts of Scotland required higher public spending – and the whole of Scotland needed special economic treatment such as that offered by the Scottish Development Agency – "the economic regeneration of Scotland is happening because of the private sector rather than the public sector".

'I think we have dominated the political debate in Scotland since the general election'

"What we are seeking is a transformation of the Scottish scene through home ownership, parental involvement in education, and privatisation," he says. The forthcoming privatisation of the two Scottish electricity boards, the form of which has yet to be decided, would create a large Scottish-based industry free of the control of the Treasury in Whitehall. If preference was given to employees and consumers in the allocation of shares "there is an opportunity for a major boost to Scottish share ownership."

Mr Rifkind's present strategy contrasts strongly with previous Conservative policy for Scotland, which contained an element of shielding the Scots from the full force of Thatcherism. In a recent speech he said that while the theme of the first two terms of Conservative government had been to give Scots incentives to better themselves – such as tax cuts and council house sales – the theme of the third term was making Scots take more responsibility in their lives, for example by serving on the boards that are to be formed to supervise schools.

"If you have a mature, responsible society, the chap who loses his job uses his redundancy money to start a new business. He does not do what many in Scotland have done – and other parts of Britain – which is wait for someone else to bring employment to him."

Malcolm Rifkind

But having done so badly in the general election in Scotland, what right did Conservatives have to impose their remedies on Scotland? In the general election, he says, 86 per cent of the Scottish electorate had voted for parties that wanted to form a UK government, which "means you believe it is in Scotland's interests to have a British economic strategy". If one wanted a separate economic strategy for Scotland "the only coherent way to respond" was to vote Scottish Nationalist – but only 14 per cent of the electorate had done so.

"There may be a lot of people who think they can get the best of both worlds; who want the benefits of the UK with none of the responsibility. Well, that's fairy land." He was "mildly irritated" with such people. Many Scots who had enjoyed tax cuts had not voted Conservative at the election, "relying on the Home Counties fifth cavalry to ensure that a Conservative government actually continued in office".

Did he think, as even some Conservative party analysts have said, that the unpopularity in Scotland of Mrs Thatcher accounts for many of the Tory Party's problems there? "No I don't. Not because she is wildly popular in Scotland, but because I can't remember any leader of any party being wildly popular in any part of the UK.

"'She's English – she doesn't maintain to be anything else, and I am always bemused why Scots who are intensely proud to be Scots should take offence at an Englishwoman who is intensely proud of being English."

Mr Rifkind is leading a major strengthening of the Conservative Party's organisation in Scotland. Part of this consists of "drawing support from a lot of people who have had their heads below the parapet until now". He points to the committee of leading Scottish businessmen set up last week to advise the party – "people who undoubtedly voted for us but who didn't identify with the party".

The biggest single problem the party now had was one of identity. "If you ask someone, who do the English Tories represent, a lot of people in Scotland would respond wrongly that they represent the English Tories. Our objective is to ensure that when people ask that question in future, their answer will be that they represent Scottish ratepayers, Scottish home-owners, Scottish industry, Scottish parents, a whole series of Scottish interests which may not add up to a majority. But there won't be any doubt in anyone's mind that the party has its roots in Scotland and is deeply relevant to a very important section of the Scottish community.

"Take the devolution debate. The polls suggest that around 20 per cent to 25 per cent want no change. Let's even accept, just for the sake of argument, that the other 75 per cent want devolution. Who's going to represent the 25 per cent? If you become a me-too party then you have a quarter of the electorate effectively disenfranchised." In any case, he says, most people have no more than a "vague preference" for devolution, not a strong desire.

Building up the Conservative vote will be a matter of cultural change, he says. Eventually the Scot who owns his own home and benefits from the parents' charter will join the dominant culture and become a Conservative. For many people it will be easy. It will be more difficult for someone in the Labour strongholds such as Motherwell or Glasgow. But, he says: "I think it will happen. I can't prove it will happen."

APPOINTMENTS

Post Office corporate finance director

Mr Richard Close has been appointed director of corporate finance at the POST OFFICE. He joins from Unisys, where he was finance director. Before that he was European treasurer and UK finance director for Sperry, which later merged with Burroughs to form Unisys. At the Post Office, Mr Close will have overall responsibility for preparing corporate financial accounts, agreeing financial targets and monitoring arrangements, corporate management accounting, taxation and the corporate treasury function.

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The chairman of the Swire Group in Hong Kong, **Mr H.M.P. Miles**, will leave the territory at the end of May for an executive directorship of JOHN SWIRE in London. He will be succeeded from June 1 by the current deputy chairman, **Mr D.A. Gledhill**, who will become chairman of John Swire and Sons (H.K.), Swire Pacific, and Cathay Pacific Airways. At the same time Cathay Pacific Airways managing director, **Mr P.D.A. Sutch**, will become deputy chairman and chief executive of the airline and deputy chairman of Swire Pacific.

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Mr William T. Charnock, general manager business development, has been appointed marketing director, and **Mr John C. Morgan**, chief accountant, becomes financial director of SERVISAIR.

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In the head office finance department of DALGETY **Mr David Waterlow** has been appointed group controller; **Mr Kevin Poole** becomes group taxation controller; **Mr Jon Prichard** group treasurer; and **Mr Stephen Braine** group chief accountant.

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Mr John Pownall has been appointed managing director of the MILLBANK ELECTRONICS GROUP, Uckfield. He was general manager of Chloride Bardic.

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MORTON THIOKOL INC. has appointed **Mr Ronald W. Munkenbeck** as senior vice president Europe of the speciality chemicals group, based in London. **Mr Derek D. Rintoul** succeeds him as managing director of the group's Williams division, of which **Mr Nigel R. Barton** becomes financial director.

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LUDVIGSEN ASSOCIATES has appointed as a managing associate **Mr Doug Clare**, former managing director of SEAT UK.

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Mr Victor Cazalet has been appointed to the board of BSS INVESTMENT MANAGEMENT, wholly-owned London subsidiary of Banque Scandinave en Suisse, Geneva.

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VOLVO CONCESSIONAIRES has appointed **Mr Charles Hunter-Pease** as sales and marketing director; and **Mr John Metcalfe** becomes customer service director.

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GILES W. PRITCHARD-GORDON (SHIPBROKING) has appointed **Mr David Blight** as a director.

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Mr John Craig is to succeed **Mr Denis Child** as chairman of the executive committee of the BRITISH BANKERS' ASSOCIATION from January 1. Mr Craig is a managing director of N.M. Rothschild & Sons. His appointment will be for two years. **Mr Humphrey T. Norrington**, an executive director of Barclays Bank, becomes deputy chairman of the BBA executive committee for the same period.

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THE LIFE ASSOCIATION OF SCOTLAND has appointed **Mr Alan Hardie** as general manager marketing and sales from January 1. He has been with the company since 1970. **Mr M.A. Forrest** becomes general manager (Investment) from the same date.

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Sir Daniel Pettit has been appointed chairman of RDC PROPERTIES, a joint venture between Tibbett & Britten Group and Investors in Industry, established to finance regional distribution centres for Marks and Spencer. Sir Daniel was chairman of the National Freight Corporation. **Mr Peter Willcock**, a director of Investors in Industry Properties, and **Mr David Cartledge**, 3i development manager, also join the board of RDC Properties.

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DORMA, part of the CV home furnishing division of the Coats Viyella Group, has appointed four directors from January 1. **Mr Gareth Lewis** has been promoted from general marketing manager to marketing director. **Mr Bernard Lucas**, national sales manager, becomes sales director. **Mr Paul Mutter** is made operations director from operations manager. **Mr Glyn Swain** becomes account director.

CONTRACTS

Hampstead housing project

FIELD DAVIS, Barnet-based construction company, has been awarded a new-build contract by Mansell Homes for six houses in Hampstead, London. Construction work has started on the luxury development of distinctive white brick town houses within a landscaped garden area. Due to limited space, a sub-basement car park and storage area is included. Contract value is £600,000 and the development is planned for completion in summer 1988. Field Davis has commenced refurbishment of a large property in Pembroke Gardens, London W8, for £850,000.

WARD ARCHITECTURAL SYSTEMS, Coventry, a wholly-owned subsidiary of the Ward Group, has gained orders for two projects worth over £4m. They are for phase 2 of the Guildford Business Park - an extension of Ward's existing engagement and a project undertaken in conjunction with Bryant Construction - and for the new Dun & Bradstreet headquarters building at High Wycombe, undertaken in conjunction with Tarmac Construction.

Havant orders new computer

Havant Borough Council has signed a contract valued at close to £1m for additional computer equipment and software to upgrade data processing capacity to handle housing benefits, rents, community charge, creditors, revenues, and a new financial information system. Key to the order was **HONEYWELL BULL's** LOGOS local authority software development programme which offers packages designed to run the council's principal applications. Havant is also buying Honeywell Bull's fourth generation languages (4GLs), IQS and Mantis. Installation of the new hardware and software will be taking place from this month on an agreed phased basis.

M J GLEESON GROUP has been awarded the £2.7m contract to build for Homebase - a subsidiary of J Sainsbury - a house-and-garden centre at Purley Way, Croydon, Surrey. Gleeson is scheduled to complete the 63 x 58 metre single-storey centre, together with the associated car park, service yard and external landscaping, in September 1988.

A Derby firm has won a $2m (£1.1m) contract to build test equipment for the American space shuttle. Instrumentation engineers **ROTADATA** has won the NASA order to build a test rig version of the turbine that drives the liquid hydrogen pump on the shuttle's engine.

BUSINESS LAW

The Copyright Bill – its shortcomings and excesses

By A. H. Hermann, Legal Correspondent

THE 1709 Copyright Act of Queen Ann was conceived "for the encouragement of learned men to compose and write useful books". On the present day copyright battlefield the useful books are of relatively small importance and learned men seem to have disappeared altogether.

As far as books are concerned, it is a battlefield of publishers and the useless books are those on which real money is made. The problems of literary works are now overshadowed by other products of the copyright industry: music, video and information.

The total gross annual turnover of the UK's "copyright industries" is estimated to exceed £20bn a year – nearly 7.5 per cent of gross domestic product. Its overseas sales, it is claimed, could be £500m greater but for illicit reproduction by "pirates". Similar damage, it is alleged, is suffered by manufacturers of patented products through counterfeiting.

According to a Japanese study, British inventors were responsible for half of all post-war inventions of importance. But, if true, this is not reflected in the marketplace. Many British inventions are exploited only by other countries and one must ask whether the imperfections of the patent system are not partly responsible.

The shortcomings of the patent system do not, of course, hit big and small in the same way. Large, research-based enterprises of the chemical and pharmaceutical industries can live with the complications, costs and delays of patent litigation and, accordingly, these industries make the greatest use of the patent system. The small enterprise and the individual inventor have no chance, and to most of them the patent system is of only limited usefulness.

For years these problems were occupying numerous expert committees which produced a plethora of proposals. However, the only important reform embodied in the Copyright, Designs and Patents Bill, now going through Parliament, concerns industrial design. It would do away with the copyright protection of spare parts, introduced by a much-criticised decision of the High Court, and replace it with a more reasonable protection of new functional industrial designs, running for no more than 15 years after their development.

The shortest and the most damaging part of the Bill deals with patent litigation. The Government has given up proposals for simplified litigation contained in the 1986 White Paper. Instead, the Bill would create a County Patent Court, useful only in the rare disputes between two small companies. When the defendant is a financially strong company, it will add another unnecessary stage, as this type of company is almost certain to opt for a transfer of the litigation to the High Court.

The greatest part of the Bill, which is a major project of 277 clauses with seven schedules, deals with copyright and is neither entirely good nor entirely bad. It is more a sort of redrafting of the present law, so as to embrace the entire width of the new copyright industries while avoiding some of their most urgent new problems. As if to compensate for this reticence, the Bill adds some new and quite unnecessary difficulties.

One of the most urgent problems is home copying of music on audio tape. After interminable sessions, experts agreed that there was no other way to secure royalties on such copying than by the introduction of a flat levy on blank tapes. The Government, however, has decided to leave things as they are.

The second major problem is lending, which is fast becoming the main form of exploitation of video tapes and compact discs. But again, there is no provision for royalties from lending rights

Two of the main problems, home taping of music and lending rights on video tapes, remain unsolved

As well as suffering from these major shortcomings, the Bill contains a number of provisions without which the industry could live quite happily.

One of the more objectionable provisions gives an unexpected advantage to foreign infringers of UK copyright. While a British printer or manufacturer who infringes the rights of a copyright owner is strictly liable, whether or not he knows that he has committed an infringement, clause 22 puts the importer in the same position as a retailer or dealer, who can use the defence that they did not know and had no reason to believe that they were infringeing somebody's copyright.

The Bill makes a brave and laudable attempt to improve the position of authors, by both prohibiting unjustified modifications of their work and assuring them of proper credits. However, it goes too far. It would be highly impractical to insist that the author of a trade catalogue or the producer of a television advertisement should be always identified and have the right to damages if their work is modified. It should be enough for them to be able to insist on a disclaimer making it clear that they are not responsible for certain modifications if the work as a whole is attributed to them. As the Bill reads now, the disclaimer would only be useful as one of the remedies after litigation.

Another rather far-reaching provision is that which would authorise self-help, allowing parties to seize goods, which they consider infringing, as long as they do not use force. This would make it possible for manufacturers with exaggerated ideas about their copyright to remove exhibits from their competitors' stands at trade exhibitions, as long as the attendants did not offer physical resistance. By contrast, even if their copyright claims were fully justified, they could not remove the offending products from the premises of a trader ready to put up a fight.

It is completely mystifying why, if clause 94 is adopted, a mere assertion of copyright should oblige the other party in legal proceedings to bear the full burden of disproving it. The normal procedure seems to be that he who claims a right must prove it. Clause 96 makes things even worse by allowing a person to use as evidence of ownership of copyright labels put on copies of sound recordings or a film, made after the date of an alleged infringement. This makes so little sense that I take the charitable view that it is merely a drafting error.

One must take rather more seriously the substantial extension of copyright on Crown and parliamentary materials and on so-called folklore products of foreign countries. The first would be achieved by clause 151 allowing government to extend copyright on Crown documents to 125 years. This could be used to confer the monopoly of the publication and dissemination of acts of parliament and other parliamentary material on the Stationery Office or to suppress wider publication – in the press for example. It could hinder or make more expensive the production of legal commentaries and possibly obstruct the publication of historical studies.

The folklore clause 153 would give quasi-governmental authorities of foreign countries copyright protection for folklore, where individual authors cannot be identified. This seems to be a long way from Queen Ann's intention of encouraging learned men to write useful books.

Most of these excesses of the Bill, as well as some others, have been detected not by the opposition or lobbyists, but by the Intellectual Property Research Committee of the Society of Conservative Lawyers. This confirms again that many amendments, introduced only during the parliamentary passage of a bill and consequently upsetting its scheme and reducing its clarity, could be avoided if draft bills were made available for wider discussion and comment before a final bill is introduced in Parliament. Such publication of European Community draft directives and draft regulations has proved indispensable to their improvement and made them more generally acceptable. Many countries make such wider discussion of draft bills possible. The Copyright Bill is yet another piece of evidence of the self-inflicted disadvantage of unnecessary secrecy.

UK NEWS

Families of dead Zeebrugge crew to receive £2.2m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE HIGH Court yesterday approved compensation settlements totalling £2,261,347 for the families of 22 crew members killed in the Herald of Free Enterprise disaster.

The Court order provides for payments to be made within 14 days, but the first money is expected to be handed over before Christmas.

Lawyers acting for the crew's relatives said they were satisfied with the agreement, which will provide a guideline for future payments to survivors and relatives of passengers who were killed.

However, the Standard Steamship Owners Protection and Indemnity Association (Bermuda), which insured the ship, said payments to relatives of passengers were likely to be comparable only if they related to wage earners.

This is because English law provides for different treatment for claims relating to loss of future income and those relating to compensation for bereavement.

"The amounts for pain and suffering and bereavement will be the same. It is only the earnings which are likely to make the average crew claims higher than those for passengers," the Standard said.

The company said it had made offers of compensation wherever it had sufficient information to do so. It hoped all outstanding claims would be settled in the New Year.

Peninsular and Oriental Steam Navigation, which owned the Herald, has agreed a ceiling of around £80,000 for payments for compensation to passengers.

Mr Michael Napier, chairman of the legal committee representing most of the passengers, said claims would be ready for High Court approval shortly.

Mr Napier said the court's approval of the settlement for relatives of crew members was "relevant to future approval of offers along the same lines to passengers' families."

Mr Christopher Erving, the solicitor acting for the National Union of Seamen and a number of seamen's families, said agreement was expected soon on compensation offers to those relatives who had not yet settled.

The Herald of Free Enterprise capsized in March off Zeebrugge after sailing with its bow doors open. An inquest jury decided recently that 187 of the 193 passengers and crew who lost their lives had been unlawfully killed.

Relatives of passengers who died have campaigned for higher compensation payments than were originally offered, and for legal action against P & O.

Aircraft safety measure shelved

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL Aviation Authority does not intend at present to make airlines provide smoke hoods as a means of protecting passengers from smoke and gases in aircraft fires.

Announcing this yesterday, Mr Christopher Tugendhat, chairman of the CAA, said the authority had not been alone in deciding this. The same course of action had been taken by the aviation authorities of the US, France and Canada, with which it had been conducting research in this matter, and by many of those it had consulted.

Neither was it a final decision, he said. Work was continuing and he did not rule out the possibility of smoke hoods eventually becoming a mandatory requirement, like lifejackets, for airliners on the UK register.

Pressure for the introduction of smoke hoods was stimulated by the British Airways Boeing 737 accident at Manchester two years ago, when an engine failure sprayed fuel over the rear of the cabin, causing intense fire and much smoke and gas. Many of the passengers died.

The reasons for rejecting smoke hoods at present include the fact that, although there are several designs available, none in the aviation authorities' view meets all the requirements.

Mr Tugendhat said: "If a fully adequate smoke hood capable of doing everything we believe to be necessary was available from manufacturers and ready for production, I think we would have decided to introduce it.

"But such is not the case. We and the other authorities with whom we have been working believe that further work still needs to be done on several important points."

Mr Tugendhat said it would not be right for a responsible regulatory authority to make mandatory a model that would only be effective in certain types of fire.

"At present, we do not have smoke hoods which in our professional judgment can be relied upon in every reasonable eventuality, which the ordinary, untrained passenger can put on quickly and easily in a crisis situation and which manufacturers can make available to the airlines in the numbers that would be needed."

He stressed that the smoke hood was not the only project being considered.

Other measures included work on improving the flammability standards of cabin materials. The authority was also "most encouraged" by the recent development of cabin water sprays.

Airship Industries fights to save $170m contract

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRSHIP INDUSTRIES, the UK-based but Australian-controlled manufacturer, is fighting to save its US Navy airship contract from being either deferred or cancelled under current defence budget cuts.

Although initially worth about $170m (£93m) for developing a prototype naval surveillance airship over five years, the long-term potential of the contract was for production of up to 50 airships, worth some $2bn.

The company is seeking with its US partner, Westinghouse, the support of the Ministry of Defence and Department of Trade and Industry, in attempts to get the US Navy and Defence Department to reconsider their decision.

The initial $170m, five-year development contract was awarded to a specially formed joint company, Westinghouse-Airship Industries (WAI), earlier this year, after a fierce competition with Goodyear of the US, a rival airship builder.

The contract covered the development of a big airship, called the Sentinel 5000, for the US Navy which would be used as a fleet surveillance aircraft with advanced avionics systems for airborne early warning missions, protecting warships at sea from enemy missile attacks.

The navy's objective was to study the craft in operational service, and if it met the requirements, orders for a fleet of such airships would be placed.

The US Air Force had also been showing interest, along with other US agencies, such as the Coastguard. Other foreign navies had been watching the progress of the venture.

Call for extra funds for AIDS research

By David Fishlock, Science Editor

THE MEDICAL Research Council is calling on the Government to double the present national research budget for AIDS.

Last February, the Government said it had earmarked £14.5m over three years for a new directed research programme managed by the council, focused on the search for a vaccine to prevent AIDS (acquired immuno-deficiency syndrome), and for new drugs to treat the disease.

Dr Dai Rees, the new secretary (chief executive) of the council, said yesterday that it was seeking a further £4.6m a year for the next three years for AIDS research.

The money was needed to investigate aspects of the disease not included in the original programme designed by Sir James Gowans, his predecessor as secretary, who retired in October.

Sir James said earlier this year that the Government had granted all the money he had requested for the programme.

One aspect which has been of growing concern is AIDS-related dementia, a mental problem for which the council plans basic research involving a brain scanner which alone would cost £1m to set up.

It also wants to extend epidemiological studies – medical statistics – into various diseases, of which AIDS is the most important, at an estimated additional cost of at least £500,000 a year.

Another proposal is that it should use its resources in the Gambia, west Africa, to investigate the newer form of the disease, known as HIV II.

The importance of all three, but especially of AIDS-related dementia, had come to light only in the last year or two, Dr Rees said.

He said the council had not received a "final no" from the Government, but the implication was that it should find money from its other research programmes.

Dr Rees said he estimated the council needed an additional £10m to finance all the immediate demands, including new buildings and others in imminent need of replacement. However, in order to restore British medical science to its former sound state, he believed it needed an extra £40m a year.

Apart from AIDS, two new project areas the council was eager to fund were cognitive psychology, proposed as a joint venture with two other research councils and seen as important to the next generation of computer, and a project in advanced drug delivery and targeting which could avoid many of the side-effects of present-day drug delivery systems.

Medical Research Council annual report 1986-87. MRC Headquarters Office, 20 Park Crescent, London. W1N 4AL. £6.00.

Resort benefit abuse inquiry saves £1.2m

A £100,000 summer investigation of English south-coast tourist-resort benefit abuses saved £1.2m, Mr Norman Fowler, Employment Secretary, said yesterday.

More than 1,300 of 4,400 claimants investigated by 25 investigators – from Ramsgate to Hythe, in Kent, and at Ryde, Shanklin and Newport on the Isle of Wight – stopped claiming benefits after lists of seasonal workers and claimants were compared.

He said many worked there while drawing benefit. Claimants moonlighted and some hotel and kitchen staff lived there all year but did not declare summer earnings. The fraud was evidence of a black economy.

Alan Pike compares the financial plight of an inner-city and a rural health authority

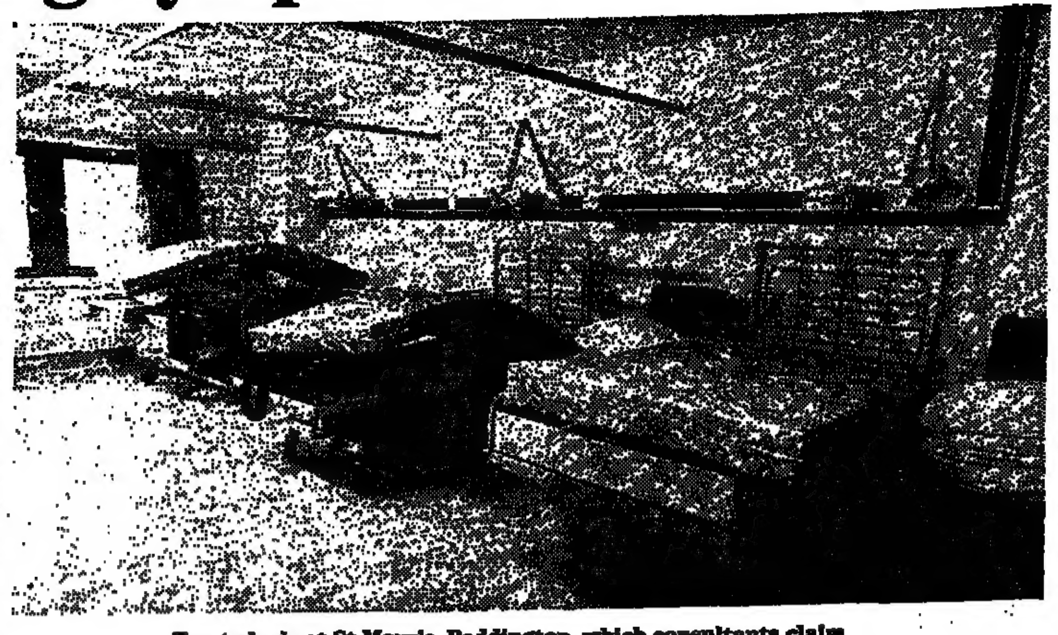
Showing symptoms of too little, too late

THE EXTRA financial allocations for health in last month's Autumn Statement were paraded by Mr John Moore, the Social Services Secretary who has since been consigned to a sick-bed himself, as the National Health Service's largest-ever additional sums of money.

But while ministers were still trying to explain what the figures meant, health authorities were shouting back a simpler message: "Not enough!"

The call has been picked up so resoundingly by almost all sections of the hospital service that the Government yesterday announced a further emergency allocation of funds for this year.

In a survey by the Hospital Consultants and Specialists Association this month, 98 out of 131 English district health authorities reported overspending. Many authorities said that they expected the position to worsen and doubted whether the extra money pledged in the Autumn Statement would be enough to maintain existing services, much less reopen beds that have been closed.



Empty beds at St Mary's, Paddington, which consultants claim can no longer fulfil the functions of a teaching hospital

The London district of Paddington and North Kensington does not have too much in common with Gloucestershire's health-care problems. Paddington, one of the most deprived health districts in the country, has to confront the full range of inner-city health problems as well as playing a major part in the treatment of AIDS.

Gloucester is typical of many health authorities outside the urban conurbations. It has gained from RAWP, the resource allocation policy which since the 1970s has diverted funds from relatively over-provided areas in an attempt to equalise health provision across the country.

In spite of their different backgrounds, both authorities are being forced to implement severe programmes of cuts to reduce projected overspending.

Gloucester, faced with an £800,000 shortfall this financial year, this week decided to close a 29-bed geriatric hospital and two GP maternity units, and to introduce a package of other savings including restrictions on surgery in smaller hospitals.

The district, like most health authorities, has exhausted the more routine opportunities for savings. Mr Ken Jarrold, district general manager, says that if Gloucester is forced to meet the same sort of shortfall again next year it would, like many authorities, have to cut services to an unacceptable level.

"There will no doubt be opposition to the closures we are proposing. Small communities do not like losing local hospitals. There must always be room for savings in any organisation with a £62m budget. But they get much more difficult to find."

In addition to the proposed savings, Gloucester intends to divert £140,000 from funds which had been allocated for service development to help meet the shortfall. This will result in projects being postponed.

Mr Jarrold is a keen supporter of the resource allocation policy which, he says, introduced a logical national approach to financing the NHS for the first time. But he points out that even now Gloucester still has less money per head of population than some London authorities.

Nationally, the main causes of the pressures on health authorities are:

- The under-funding of national pay awards by the Government, leaving health authorities to make up the difference from their own funds.
- Costs in the health service rising faster than inflation in general.
- High costs of locum and agency staff, not only in medical areas but also in administration.

Some areas have additional local problems. In Paddington's north-west Thames region, for example, a regional resource allocation exercise has led to Paddington losing £1.7m to the regional strategic development fund, and another £650,000 will go to the same cause next year.

Paddington's latest round of economies – which includes the closure of a GP community hospital – has met local resistance. Consultants at its main hospital, St Mary's, complain that it no longer fulfils its function as a teaching hospital. Students have been sent elsewhere – including to private hospitals – for surgical teaching.

Paddington has saved £7m in efficiency improvements over the past five years and is continuing to find major sums of money – a projected £1m this year and £800,000 next – through cost and efficiency exercises.

These now cover clinical and support services. Ms Barbara Young, the district general manager, is working on ideas to reduce staff turnover. The authority interviews, recruits and trains 10,000 people a year and there is scope for big savings if turnover could be reduced. But this factor is, among other things, related to the level of morale in the NHS.

The Government's Health and Medicines Bill, published last month, will give health authorities greater scope to engage in profit-making activities. Paddington already shows a surplus of £500,000 a year, mainly from the St Mary's private wing but also from renting accommodation and services and sponsorship.

Profit-making has caused health authorities much time-wasting administrative and legal activity. Ms Young welcomes the fact that it will be easier for health authorities to engage in commercial activity but warns that "hairdressers and florists shops in hospitals will not solve the problems of the health service".

Mr Jarrold sounds the same warning at Gloucester. "Wider opportunities to raise money may be good for morale at local level, but we are talking about marginal money. It would be great if Gloucester could raise £250,000 a year in this way."

Many managers are increasingly prepared to admit that there is simply not enough money in the NHS to provide all the services they are juggling to maintain, and that they expect this situation to continue. This begs the question of how else a national system of health-care could be financed.

The Institute of Health Services Management, of which Barbara Young is president, has set up a working party to investigate the whole issue of financing health-care. By the time the team completes its work in the spring, its report may prove more of a watershed than the health service managers realised when they embarked on the project.

B&C bank given £46m boost

By Richard Waters

BRITISH & Commonwealth, the money broking and financial services group, has put an extra £46m of capital into its merchant banking subsidiary in an attempt to give it a greater presence in the City.

It plans to invest £40m more over the next two years, taking its capital to more than £100m. A further £50m is available for acquisitions, Mr John Gunn, B&C chairman, said yesterday.

The investment comes at a time when other banking groups are cutting operations in the wake of October's stock market crash.

British & Commonwealth Merchant Bank will specialise in corporate and personal finance rather than securities, which caused losses for others in the City, Mr Bruce Ursell, its chief executive, said.

The bank, which has changed its name from Cayzer Limited, plans to operate in sharply-defined markets rather than challenging other investment and merchant banks head on.

It will specialise in particular products and industries, said Mr Ursell. Its products will be based around debt-related and off-balance-sheet financing arrangements, while its list of selected industries include media, property, energy and health-care.

Personal finance will form an important part of the group. The first acquisitions planned include regional stockbrokers, an actuarial firm and a small bank in the Isle of Man, to add to the group's existing stockbroking business, Stock Beech.

The bank plans to attract 50,000 customers from among the country's 500,000 richest individuals compared with the 10,000 already retained by Stock Beech.

The banking investment appears to mark the limit of B&C's inroads into financial services. It has no ambitions to own a clearing bank, a fully fledged investment bank or a large insurance company, Mr Gunn said.

Cambridge to receive £5.3m for superconductor research

BY JANE RIPPETEAU

CAMBRIDGE University is to receive £5.3m in government funds over the next six years to set up the UK's first university research centre, which will be specifically for work in superconductivity, the Science and Engineering Research Council announced yesterday.

After approval by the Department of Education and Science, Cambridge will receive up to £2.7m in the first two years prior to its first review.

The centre is intended to bolster the UK's efforts against US and Japanese competitors in the race to commercialise this potentially revolutionary technology with applications in computers, medicine and power transmission expected to be worth billions of pounds.

New warm-temperature superconductors transmit electricity without resistance more efficiently than any known before, but technical problems still prevent their use. The Cambridge programme is expected to focus on microelectronics applications.

Sir Sam Edwards, professor of physics and head of the Cavendish Laboratory where the centre will be situated, said: "We already have a very large team at Cambridge and we'll be able to train large numbers of highly skilled (graduates) for British industry." The centre will be run by a director and management committee.

Some academics say the centre is a bad idea, claiming that it will be over-centralised, underfunded and starve good programmes elsewhere. The SERC says it will continue to fund worthy programmes not at Cambridge; an upcoming £1m round of grants will go to 10 programmes.

Cambridge is believed to have edged out its main rival, Birmingham University, late in the deliberations by the National Committee for Superconductivity, a joint group of the SERC and Department of Trade and Industry chaired by Sir Martin Wood of Oxford Instruments, a leading user of old-technology superconductors.

According to the SERC, Cambridge won partly because of its programme of industrial liaison in the technology, including funding, equipment sharing and staff exchanges with General Electric Company, Oxford Instruments, PA Technology and the Central Electricity Generating Board's research facility.

Mr John Wilson, senior research fellow in physics at Bristol University, said there would be a strong industrial slant to the work and that the SERC was using an academic budget to do work that ought to be funded by industry.

Crackdown on tax relief urged

BY RICHARD WATERS

THE INLAND REVENUE should crack down on people who claim tax relief on loans for home improvements but use the money for other purposes, a Commons select committee said yesterday.

Tax inspectors should vet existing loans, rather than just new ones, and prosecute false claimants, the Public Accounts Committee said in a report.

The potential tax loss from abuse of home improvement loans was about £100m in the last tax year, according to the Revenue. This represents abuse in one in every five cases.

The committee also expressed concern about the shortage of staff in the Revenue. One result of the high resignation rate among tax inspectors was that fewer tax investigations resulted in a settlement between the Revenue and taxpayer.

The Revenue has already moved to prevent abuse of home improvement loans. Two years ago it set up a separate office, now with 21 staff, to investigate a random sample of applications for tax relief on these loans.

The Revenue said yesterday that it was up to the Treasury to decide whether it should investigate existing loans. It added that since it had already investigated loan applications made up to three years ago, and the average life of a home improvement loan was five years, most existing loans had already been through its checking procedure.

Gilts offer of £1bn undersubscribed

THE BANK of England's offer of £1bn short-dated convertible gilts yesterday was undersubscribed but gilt market anlaysts thought it was well received, given the prevailing quiet market conditions.

It is thought the minimum price tender of 8 per cent Treasury 1990 convertible stock was undersubscribed by between £200m to £300m. The Bank has taken the unissued stock on to its books and will reissue it as a tap stock as market conditions permit.

The main attraction of the stock was an option to convert it into Treasury 8½ per cent 2007 stock. The first opportunity to do this is on July 16, 1988, and at three six-monthly intervals thereafter.

The level of investor interest in yesterday's tender is difficult to estimate but market analysts said they did not think that the building societies were big buyers. Some foreign buying was noticed.

Norwich's bonus 'hit by crash'

By Eric Short

NORWICH UNION yesterday told investors who have with-profits contracts maturing in 1988 that their pay-outs would have been higher but for the stock market collapse.

The group announced both unchanged reversionary bonus rates for year-end 1987 and terminal bonus rates on claims during 1988. This has resulted in a slight reduction in pay-outs for maturing 10 year contracts and slightly higher payments for 25 year policies.

Mr Hugh Scurfield, head of Norwich Union's life and pensions operation, admitted that "black Monday" resulted in the paper value of the UK equity portfolio funds being reduced by about £1.4bn to its current £2.9bn, though equity dividend income had risen on average by 15 per cent during the year.

Terminal bonuses are added to the benefits of with-profits contracts at the time they become claims and reflect the unrealised capital gains in the underlying portfolio.

Norwich Union increased its terminal bonus rate during the middle of the year to reflect part of the rise in equity values to that date. It has held that increase this time.

Mr Scurfield claimed this reflected the underlying strength of the group's equity portfolio and the stability provided by the heavy investment in property – an investment that has shown a 30 per cent growth this year.

But if the stockmarket had not collapsed, Mr Scurfield said, there would have been another increase in terminal bonus rates.

Mr Scurfield warned that the pattern of investment yields over the past 25 years was such that returns on short-term contracts would continue to decline slowly, unless there was a strong upturn in the market, but pay-outs on 25 year contracts would continue to rise for some time.

The group's action in maintaining bonus rates, following similar action taken by Commercial Union, will put pressure on other life companies to maintain their rates.

Competition for with-profits business from independent intermediaries is very keen. These intermediaries, facing the requirement under financial services legislation to give best advice, are unlikely to recommend a life company which has cut bonus rates.

The danger of such a bonus war is that some life companies could overstretch themselves, a point that is of concern to the Government Actuary, who as actuarial adviser to the Department of Trade and Industry is the watchdog of financial affairs of life companies.

Kalms elected to British Gas board

MR STANLEY KALMS, chairman of Dixons, the electrical retailer, has been elected to the board of British Gas as a non-executive director.

Mr Kalms, the first new director to join the company since it was privatised at the end of last year, will replace Mr Richard Greenbury, who has resigned to devote more of his time to Marks and Spencer, where he is joint managing director.

'Free' conference centre offer

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

NORFOLK CAPITAL, the hotel group, yesterday offered Edinburgh a free 1,200-seat conference centre if in return it was permitted to build offices on an important site owned by Edinburgh District Council.

The offer, made in Edinburgh yesterday by Mr Peter Eyles, managing director of Norfolk Capital, could solve the city's problems over launching its own project for a 1,200 to 1,500-seat conference centre and office complex costing about £30m.

Norfolk Capital last year acquired the Caledonian and the North British hotels, both in Princes Street, from Guinness. The Caledonian is Edinburgh's only five-star hotel.

Norfolk said yesterday that it would apply to the district council for planning permission to build 100,000 sq ft of office space on land which Norfolk owns behind the Caledonian Hotel. This would be called the Caledonian Business Centre.

It also offered to build a conference centre within the centre, provided it was permitted to build an office complex on an adjoining site, currently a car park, which is owned by the district council.

It envisages constructing 300,000 sq ft of net lettable office space on this site.

The entire project would cost about £100m, Mr Eyles said. The profit from letting and selling the development on the district council's site would finance the building of the conference centre. Norfolk Capital would benefit from the additional use of its hotels which the conference centre would generate.

If the conference centre proposal were refused the Caledonian Business Centre would consist only of offices.

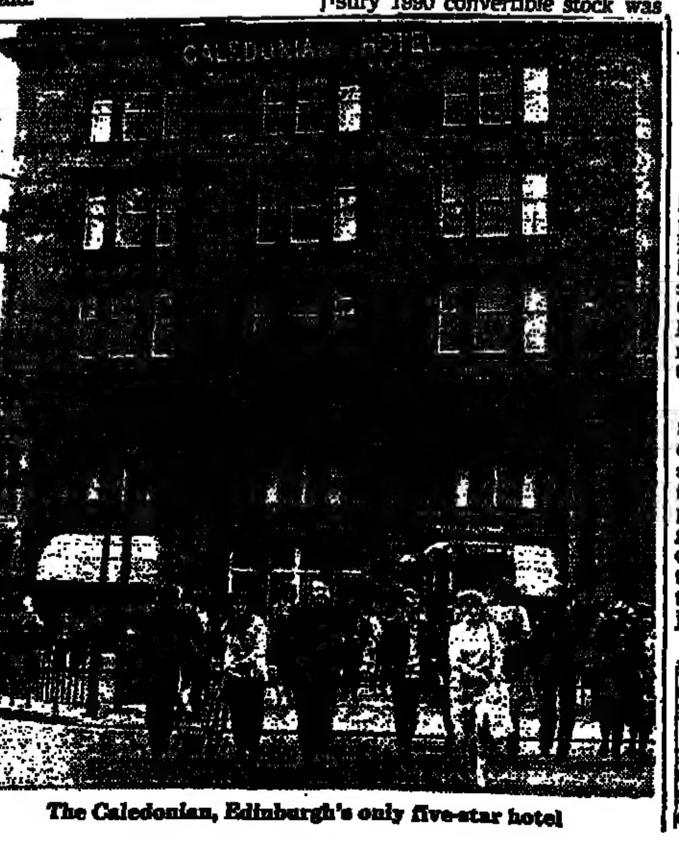
The conference centre would belong to and be run by the consortium of public and private sector interests which is promoting its own project for an international conference centre, which Edinburgh believes it needs.

This would be built on the district council's site. The district council itself, Lothian Regional Council and the Scottish Development Agency would meet capital costs.

The Treasury, which must authorise the SDA's £10m contribution to the scheme, has made no response since it received the application in the spring. In an effort to make the project more acceptable to it the Chamber of Commerce recently obtained commitments of £3m from the private sector towards the construction of the centre.

Norfolk has had preliminary discussions with the district council, but had received "no indication of what they think of it", Mr Eyles said.

Earlier this week Herriot-Watt University said it intended to build a 700-seat conference centre at its campus on the outskirts of Edinburgh. The £3m proposal irritated some promoters of the international conference centre, partly because the university has named the company that will operate it Edinburgh Conference Centre.



The Caledonian, Edinburgh's only five-star hotel

Majority opposes CEGB privatisation, says poll

BY MAURICE SAMUELSON

MORE PEOPLE oppose than support privatisation of the electricity industry but many would be interested in buying shares in it, says a public opinion poll for the Central Electricity Generating Board. The poll also finds that many people have not heard of the board.

In the poll of 1,800 people last month by Dewe Rogerson, the communications consultant advising the board in the run up to privatisation, about four people in 10 backed privatisation in general with about two in 10 opposing. However, CEGB privatisation was opposed by more than four in 10 and favoured by just more than three in 10.

Only 14 per cent wanted the board to be split up; most, more than seven in 10, wanted things left as they are.

If the board were privatised, 57 per cent of adults believed that nuclear power stations should remain a separate, government-owned body.

Power News, the board's staff newspaper, published the poll results and said it showed the public did not know a lot about the board. "But those who know at least a little think it is doing a pretty good job."

- A group of 20 church-appointed chaplains to the electricity-supply industry has questioned the morality of privatising it. In a letter to Mr Cecil Parkinson, Energy Secretary, the group says it is "neither right nor desirable to disturb an efficient, world-class industry in the interests of raising money by its sale to the public in order possibly to facilitate further cuts in taxation".
- Private electricity producers are not satisfied with the 11 per cent price rise which the CEGB announced last week for new long-term contracts with private power-suppliers. The Association of Independent Electricity Producers said a 33 per cent rise was needed if private generators were to compete on fair terms.

مكرر من الاصل

Octopus plans to end union role at Methuen

BY JIMMY BURNS, LABOUR STAFF

OCTOPUS PUBLISHING is planning to de-recognise the union representing journalists at Methuen Books if, as expected, it takes over the company next month.

De-recognition of the National Union of Journalists at Methuen is the third such move by Octopus in recent months.

Octopus is conducting a final examination of Methuen's finances before acquiring it. But Mr Ian Irvine, Octopus Group managing director, said that his company's policy of not recognising the NUJ as a collective bargaining unit would be maintained once the sale was completed in January.

Referring to Methuen employees who are expected to come under new management in the New Year, Mr Irvine said: "They will come to us as Octpus employees or not all. We negotiate on an individual basis not on a union basis."

NUJ members employed by Methuen are today staging a one-day strike to press for the terms of a collectively negotiated agreement covering issues such as job security and redundancy pay being incorporated into the conditions of sale.

The action will coincide with a demonstration by NUJ members outside the Publishers' Association, the industry's employers' body, in protest at the growing moves towards union de-recognition within publishing.

Mr Irvine claimed that the terms and conditions negotiated with Octopus' present employees — which he would not detail — were better than the "usual" package negotiated collectively.

However the NUJ, which claims a 60 per cent membership among Methuen's 120 employees, said that de-recocgnition would make their members more vulnerable in the event of future redundancies.

The union was "extremely concerned" at the trend in the book industry of eliminating collective bargaining following the Octopus Group's recent de-recognition of the NUJ at Heinemann Educational Books, and a similar move at Hamlyn Books.

Mr Christopher Falkus, managing director of Methuen, said NUJ was making a "fundamental error" by not differentiating between the terms of employment negotiated collectively by one company and individual rights which are the "law of the land".

John Gapper adds: Journalists at ITV's breakfast television company TV-am voted yesterday against taking industrial action in support of 229 technicians who have been locked out by the company.

The NUJ chapel (office branch) voted by 100 to 68 against action. TV-am plans to Increase the live content of its breakfast show from this morning.

Bakery staff to vote on 6% revised pay offer

BY OUR LABOUR STAFF

EMPLOYEES of Britain's two big bakeries — Allied Bakeries and British Bakeries — are voting on an improved pay offer after Acas, the conciliation service, intervened to try to avert industrial action.

Mr Joe Marino, general secretary of the Bakers, Food and Allied Workers' Union, said he was confident his members would follow his recommendation and accept the revised package, based on a 6 per cent increase in the basic rate.

However, an earlier pay offer was rejected in a ballot in spite of a recommendation from the the union to accept it.

Britain's last bakers' strike in 1978 collapsed with independent bakeries breaking away from the national negotiating machinery which brings together the union and the two big companies within the Federation of Bakers.

The bread industry is the second largest in the food sectors with the two major companies responsible for 70 per cent of annual sales of over £2bn.

The package being offered by the management of the two big bakeries includes improved premium payments

Union leaders believe that if industrial action does take place it will prove more effective than the last strike in 1978. They say that independent producers are already working to full capacity

Closure of Barnsley pit backed

By Charles Leadbeater

MINERS AT Woolley colliery, the pit at which Mr Arthur Scargill, the National Union of Mineworkers' president, started work, have voted by two to one to accept its closure.

Miners taking voluntary redundancy will be able to claim the £5,000 lump sum British Coal has made available to miners leaving the industry as a result of major closures. The offer effectively closes at Christmas.

The Woolley vote is widely expected to be endorsed by the 373 miners at Redbrook, the pit with which it was combined in the wake of the 1984-85 miners' strike. In contrast to the older pits which closed immediately after the strike, Redbrook was opened about three years ago.

Woolley's modern coal washery, which serves pits throughout the Barnsley coalfield, will remain open.

Leaders of Nacods, the pit deputies' union, are recommending rejection of British Coal's pay offer, worth between £10 and £12 a week, in a ballot to be held next week. Deputies at some pits in the Midlands have started an overtime ban over the offer.

Charles Leadbeater talks to the NUM leader who attacks the desire to compromise

Scargill set to fight 'politics of fear'

MR ARTHUR SCARGILL sat in his tenth floor office at the National Union of Mineworkers' Sheffield headquarters surveying a list of 43 public meetings he plans to address before the union's presidential election on January 22. "I am a workaholic," he conceded with pride.

But beyond feeding his prodigious appetite for work, the coalfields' campaign tour has been organised because he believes the old-fashioned public meeting is the most effective way of communicating with miners.

In his first comprehensive newspaper interview for about three years, he explained: "They get the whole performance, Arthur Scargill on the range of issues facing the union. A short television interview is like a snapshot; a public speech is like a painting."

Opposite his desk hung a portrait of a younger Arthur, in full flood, arm outstretched, fingering jabbing, his body arched, moving forward, his pale face sharp against the surrounding blackness. His basic message to miners had not changed since the 1970s, when the picture was painted, because the fundamental issues facing the union had not changed.

What does Mr Scargill's painting tell us of where he and the NUM might be headed ?

The election is a fight against the creep of "new realsim" through the union; against his critics on the union's executive, which has restrained him for the past two and half years; for the reassertion of the alliance between Scargill and the rank and file, to sweep him to victory and onto the fight against British Coal.

New realism, the politics of fear syndrome, was affecting the whole trade union movement, manifesting itself in a "lemming like desire to compromise". He said: "What worries me is that there seems to be a feeling among many of the leading members of the union movement that unless you compromise, the Government and employers will literally grind the unions down. The very opposite is the case. Give them and inch and they will take a mile."

In contrast his perspective on the inevitability of class conflict was the foundation for one of his main achievements: to have led the union with a clear analysis of how it would be attacked, and a vision of how and why it should respond.

Industrial action remains at the heart of that response. "Since the end of the strike, the only time British Coal rang this office desperate to get hold of us was within hours of a 77 per cent ballot vote for industrial action over the disciplinary code." he said.

But that does not rule out negotiations, even with a Government or an employer out to destroy the union, as long as this does not mean talking away his principles.

For instance there was a point in October 1984, immediately after the TUC congress, when he was ready to recommend the strike should end on the basis of an agreement. In a rare comment on the strike he disclosed: "The agreement was so firm that we were in the process of convening the national conference. But someone stopped that agreement overnight. The Coal Board came back and said it could not accept the words they had previously agreed to."

His hostility towards his critics on the union's executive is thinly veiled. "My opponent talks about wanting to negotiate rather than have conflict. Yet for the past two and a half years what we have had is exactly that policy, and it has been an unmitigated disaster. Contrary to popular belief we have had an executive which has decided its policy on a whole range of issues with compromise in mind."

Had the differences been confined to a single issue, such as six-day working, they could have been resolved. They now appear beyond reconciliation; they will be resolved through the election.

He goes beyond this to almost challenge the executive's legitimacy. "This mantle [of area leaders] is in some areas not really reflecting the views of ordinary mineworkers. One thing that is coming through very powerfully is that there is a wide divide between the union's conference which relfects the views of the rank and file and the [area leaders] on the national executive committee, which on a large number of issues are in conflict with the conference."

Mr Scargill's re-election could foreshadow a decisive shift in the balance of power towards him, through a series of elections in the union's constituent areas. This could either be forced by the Government's trade union legislation, or as a result of the executive's adoption of a policy that full-time officials with "jobs for life", should resign to fight again for their seats. Of them Mr Scargill said: "A lot of people have got to examine their consciences, and explain why having supported periodic re-elections so forcefully, knowing that it is legally possible to resign and stand again, why they do not do it."

Beyond that he wants to introduce a system of card-voting on the 23-strong executive. This would make it much harder for an alliance of smaller areas such as Scotland, and South Wales, to outvote the Yorkshire area, which is three times larger than any other area, and often supports Mr Scargill.

Amidst the problems facing the union, one of the most pressing is its own survival, with a declining membership. He indicated there should be further rationalisation and centralisation of the union's 18 sections as the industry is reorganised into a handful of regions.

Smaller unions than the NUM, which has about 100,000 members, have already merged. Can the proud miners continue alone ? Suprisingly perhaps this is not an issue of principle. He did not rule out the possibility of the NUM forming joint-ventures, or merging with other unions.

He said: "While we can continue to make savings, the fact is that the NUM must also look at its relations with other unions; of course we have to look for alliances within the union movement. We have been talking the National Union of Railwaymen, and Aslef, the train drivers union, about a closer liason." It will be early next year before it will be clear where that closer liason might lead.

It is not a matter of principle because it is a fudamental part of his task; to boost the union's power - to carry on fighting.

INTERNATIONAL APPOINTMENTS

Allegis wins Wolf after his Flying Tigers success

MR Stephen M. Wolf, acclaimed for his achievements in bringing ailing airlines back to profitability, has resigned as chairman, president and chief executive officer (CEO) of the Tiger International group, and his role as chairman and CEO of the revitalised Flying Tigers air cargo subsidiary, in order to assume the leadership position at Allegis and its United Airlines subsidiary.

Ending months of speculation as to whom would take over the helm at Allegis, the board, with effect from last Saturday, elected Mr Wolf, 46, chairman, president and CEO of the company. It is in the process of selling its non-airline assets, to be followed by a very large cash distribution to shareholders, and is also refinancing its substantial debt. He has also been named president and CEO of the United Airlines unit.

He leaves the Tiger operations on a sound profits footing just 16 months after joining the group.

Mr Wolf has taken over these posts at Allegis from Mr Frank Olson, who had held them on an interim basis since June. Mr Olson is now going to devote his full time to the Hertz car rental company, where he is chairman and CEO. He is part of the Ford Motor-led group which is purchasing Hertz for $1.3bn from Allegis, the latter having acquired it in 1985.

To fend off a hostile takeover during the summer, the Allegis board began selling its non-airline (hotel and car rental) assets after removing from the position of chairman Mr Richard Ferris. He had been pursuing a policy of building the company into a full-service travel group.

Early next year when the disposals should be completed, Allegis, which was before last May called UAL, plans to change its name to United Airlines.

Unlike Mr Wolf's most recent challenges at Republic Airlines and Flying Tigers, both heavy loss-makers when he first took charge, United is making profits.

However, his highly proven skills in cost-cutting, dealing with labour problems, and contending with competition in the airline industry, are likely to be greatly needed at United, where the pilots have been threatening to mount an employee buyout of the airline after the non-airline sales are completed.

Mr James A. Cronin has been elected president of Tiger International. He will continue to hold his recently attained posts of president and chief operating officer at the Flying Tigers subsidiary. He previously served as senior marketing executive and a member of the team responsible for the airline's return to profitability.

In a statement issued by the Tiger group, the board said: "Stephen Wolf has done a superior job at Tiger International and Flying Tigers. The airline's resurgence under his leadership has been a remarkable achievement. Although we are sorry to see him leave Tigers, he has completed and surpassed what he set out to do, by establishing strong financial, management and marketing capabilities in the organisation."

Mr Wolf praised the airline's employees for creating a "vibrant and aggressive" company. He added: "Jim Cronin has made a significant impact on the health and welfare of both the parent company and Flying Tigers. Under his leadership, the airline is solidly positioned with a strong and complete management team needed to continue its expansion."

Tiger said a special board committee consisting of three outside directors will serve as a temporary "office of the chairman", and will choose a new chairman and CEO to succeed Mr Wolf.

Posts at Laurentian

LAURENTIAN Bank of Canada, the Laurentian Group's new full service banking arm, has appointed Louis Bernard, former Secretary of the Quebec Cabinet and the province's senior public servant, as vice-president administration and legal affairs, Jules Comtois, vice-president human resources, and Jean Plamondon, vice-president finance.

With assets of more than C$12bn, Laurentian Group is Canada's third-largest integrated financial services company.

Executive at Bank of America division

BANK OF America, the large California-based bank, has appointed Mr Michael E. Rossi executive vice-president and senior credit officer of its World Banking Group (WBG).

He succeeds executive vice-president Mr Lewis W. Coleman, who was named head of the bank's Capital Markets Group in July and has continued as WBG's senior credit officer

Mr Rossi has extensive international banking experience, which began in 1966 in the bank's international training programme and as a credit officer and assistant manager in Ecuador. He spent 16 years with CitiBank and Wells Fargo, much of that time in international banking assignments in Latin America and the US.

He rejoined Bank of America last year as senior vice-president and manager of its Latin America Special Assets Group.

***

MORGAN STANLEY group, the large US investment house, has expanded its board of directors to nine by electing Messrs. Anson M. Beard Jr, John J. Mack and Paul F. Oreffice.

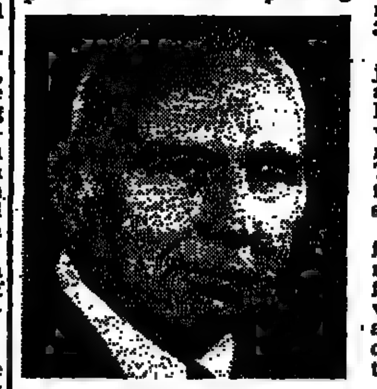
Mr Beard and Mr Mack are both managing directors of Morgan Stanley & Co. Mr Beard heads the firm's equity division and the latter its fixed income division. Mr Oreffice is chairman of Dow Chemical.

Main challenge for new GTE chairman is continued growth

BY RODERICK ORAM IN NEW YORK

GTE, the largest US telecommunications carrier outside the Bell system, has elected Mr James L.Johnson chairman and chief executive officer with effect from next April, on the retirement of Mr Theodore F. Brophy.

Mr Johnson, aged 60, has been president and chief operating



Mr James L. Johnson

officer since March, 1986, in a career at GTE which began in 1949 at the General Telephone Company of the Southwest and has spanned numerous roles.

He said that "continued growth of our business" is his main challenge as chairman, specifically in cellular telephones and long-distance telecommunications. GTE has invested heavily in cellular services in many of the country's major markets.

With the bulk of the capital spending behind it and a rapidly growing customer base, the operations should become profitable in 1988, Mr Johnson said. Its customer base could grow faster next year than this year's rate of 30 per cent, he added.

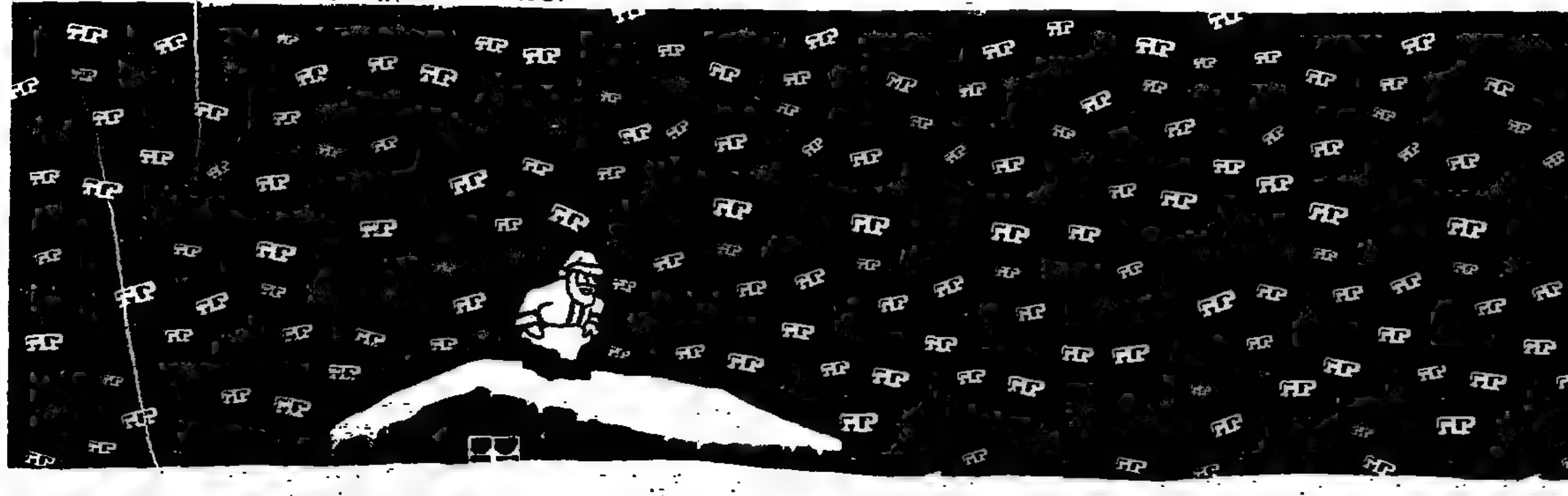
GTE also expects its Sprint joint-venture long distance operation to become profitable by late next year or early 1989. It was formed in July, 1986, by the merger of GTE's and United Telecommunications' long distance networks, but has been suffering heavy losses.

Sprint hopes to have transferred all its customers to its new national fibre optic network from its existing analogue service by early next year. This will allow it to achieve considerable cost savings from dismantling the old system.

Following an abortive raid on the company a year ago by the Belzberg family, of Canada, which was trying to split off some of its assets, GTE has taken a number of steps to guard against other attempts.

Analysts forecast steadily rising profits for the group over the next five years. "I feel that GTE is in the strongest position it has ever been", Mr Johnson said.

Accountancy Appointments



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Pepsi versus Coke

Pop snaps, crackles and explodes

Ivo Dawnay reports that Brazil has become the latest battleground

ABOUT FOUR months ago, 750 seemingly respectable members of Sao Paulo's wholesale, retail and distributive classes gathered for a social event in a city shopping mall.

Within a few minutes, they were clad in battledress, faces streaked with jungle greasepaint, and psyched up for "The Mission" – the corporate slogan chosen for a marketing duel with the product that claims the world's highest consumer recognition ratings.

PepsiCo's sales motivation exercise – complete with videos of Coke cans being blown up with laser guns – signalled the opening shot of the Battle for Sao Paulo.

And though it is now summertime in Brazil, the living is becoming distinctly uneasy for soft drinks executives as the industry's David and Goliath once again gear up for an increasingly fierce cola war.

At stake is the world's third largest soft drinks market which executives of both companies believe could soon leapfrog over Mexico into second place.

Currently, they say, Brazil's $2bn consumption of just 150 8oz bottles per capita a year is a national disgrace. Mexico, with a smaller population, manages 250, while the US's annual thirst for 156bn bottles equals about 690 per person - roughly 2 bottles for every man, woman and child every day.

Figures are used like hand-grenades in the cola wars, with both sides mixing the issues of market penetration, cola versus other flavours and regional results into a heady carbonated cocktail of statistics.

But broadly, it seems that, until now at least, roughly 55 per cent of Brazilian soft drinks fans think "Coke is It" against some 7.5 per cent who represent the Pepsi Generation.

Bending hearts and minds and, Coca-Cola alleges, statistics, to reverse this picture is Antonio Kriegel, Pepsi's 32-year-old marketing director, whose well-scrubbed appearance could owe something to his former job at Colgate-Palmolive.

Alongside him are a war-chest of some $20m a year, Tina Turner, Michael Jackson, David Bowie, the barely less glamorous executives of J. Walter Thompson and the supposedly fatal consumer charms of the screw-top cap.

Perhaps most significantly, Pepsi's third attack on the vital 14m-strong Sao Paulo market will this time be backed by the trucks and personnel of Brahma, Brazil's first and the world's sixth largest brewer.

Fired by Rambo-style competitiveness and an evangelical devotion to "The Flavour of the New Generation," Pepsi salesmen claim to have got their product from scratch into 93 per cent (Coke says 60 per cent) of the city's 60,000 retail outlets in just two weeks, winning an immediate 25 per cent (2.5 per cent, says Coke) of market share and extending its coverage of Brazil to 77 per cent (a mere smirk from Coke here).

While some would take family-sized, non-returnable containers of salt with these claims, independent observers concede that Pepsi's onslaught, if measured by its blitz on point-of-sale advertising and a ferocious TV campaign, must inevitably lift its puny 1 per cent market share in the city.

The company's strategy, Kriegel says, is to target the "new generation" group of younger people and to "get the market excited."

"The Cola wars are good news for everybody," he bubbles, ignoring the consequences for local drink makers - the warfare's equivalent of innocent civilian casualties.

Little more than half a mile down the road, executives of the Coca-Cola Corp do an impressive job of not looking excited at all. Like their product, they are a little drier, more conservative and perhaps slightly more bitter than their effervescent, sugary rivals.

"Pepsi are dead in the water in Sao Paulo," says Fred Fisher, Kriegel's opposite number, with the sad resignation of a benevolent schoolmaster once again forced to chastise a naughty child. "They are just a minor brand in the Brazilian soft drink market."

More figures are produced, explained, then put away, while a colleague – "Real Thing" in hand - talks with genuine feeling about the romance, tradition, lifestyle that the famous bottle contains and the tragic, wastrel habits of the upstart.

But despite its apparent unflappability, Coke's response to "The Mission" has at times looked shaky to outsiders despite a larger marketing budget.

Its decision to snap up Sting for a series of Coke in Concerts was an undoubted triumph, unsullied by the rock star's metamorphosis into a Pepsi man for his subsequent tour of neighbouring Argentina.

But on the football field there has been little to teach the world to sing about.

The formation of a knock-out competition for the top Brazilian clubs seemed like a classic sponsoring opportunity to link the product with the national sport.

Coca-Cola consequently paid some $3m for the first year of a renewable five year contract.

But the scheme, while unquestionably reaping some rewards, has also turned some Brazilian fans' faces as crimson as a 350ml can. Some were insulted by the effort to paint the famous trademark in the stadium's centre circles - a move later banned by FIFA, the sport's ruling body.

Then there were fights over which teams were to win the right to sponsorship, with the most popular club in the state of Pernambuco displaying a "Don't drink Coke" hoarding at its ground in revenge for omission.

Last, Brazilian newspapers were inundated with telephone protests this month when the national team's canary yellow shirt – as sacred a symbol as the flag - was seen emblazoned with the scarlet company logo during a recent friendly game against Chile. It was withdrawn in the subsequent match.

Unintentionally, it seemed the great international multiracial brand had stumbled into appearing both partisan at a club level and colonialist at a national one.

Fisher strongly defends the football decisions. "We have no regrets whatsoever; it was a very smart marketing move. If we didn't buy the space, somebody else would have."

Such mishaps, if indeed they were, often occur in war, and that of Coca-Cola versus Pepsi will be a century old in just five years' time. On the Brazilian front, all it is safe to say is that the hypes and hostilities are set to continue for some time.

The most likely outcome is that Pepsi, with its improved distribution network, will not die in the water, but will somewhat increase share of a bigger market.

On the other hand, Coca-Cola, with its larger resources and longer tradition in the country, looks centuries away from being unseated as top dog.

Upon one thing, however, both Fisher and Kriegel earnestly agree – the Cola wars are "fun". At a cost in marketing terms alone of, perhaps, $110m between them over the coming three years – "fun" is clearly an expensive, not to say deadly serious, commodity.

Tina Turner and Sting: part of the two cola giants' marketing armoury

Landmarks of what is acceptable – or necessary

EVEN IF 1987 looks like bowing out with a sense of uncertainty for the advertising industry in the UK, the year began with a boom well under way and with the AIDS campaign presaging new landmarks for what is deemed to be acceptable, or necessary. It was also a year of further structural change in the industry. A dip into the diary provides both a serious and amusing reminder of what may come to be seen as a significant period for the industry.

JANUARY:

First government-backed AIDS commercials featuring icebergs and gravestones appear on television at the start of a controversial £20m campaign. Information leaflets on the epidemic distributed to 23m homes in one of the biggest maildrops ever mounted in UK.

The government looks set to become one of the ad industry's strongest supporters, despite protestations to the contrary. Spending will top the 1986 figure of £80m, according to Media Expenditure by Analysis figures. The Tories spend heavily on job training schemes, privatisation programmes and general election campaigning.

Shock resignation of £6m Cadbury account by Leo Burnett after 40 years ends the UK's most famous confectionery advertising programme (the "man in black" Milk Tray and Flake commercials).

FEBRUARY:

Emergence of "Third-Wave" of new agencies with the opening of Butterfield Day Devito Hockney.

Super Channel, the British based pan-European satellite channel featuring the best of BBC and ITV programmes, is launched into 14 countries.

The Pliatzky Report on production of TV commercials is published in an attempt to regularise the spiralling costs of making commercials.

The long-awaited Green Paper on radio is published. Recommendations which include the creation by 1995 of three new national commercial stations to compete with BBC services.

MARCH:

Newspaper circulation wars escalate with nine television commercials on air. Some £25m is reported to have been spent by papers in the first quarter of the year on advertising.

APRIL:

All night television begins, in the Central TV region.

MAY:

IBA undertakes major review of financial advertising rules on TV and radio in view of rapidly expanding market.

Television '87, the biannual television conference, held in Copenhagen, backfired on television contractors in the face of heavy criticism from advertisers complaining about falling audiences caused by weak scheduling and programming, together with soaring air-time costs.

Offensive ad of the year – the "hanging" poster ad featuring the four political leaders in lynched poses was banned. This followed a storm of protest to the Advertising Standards Authority, louder than any other in its 25-year history.

JUNE:

The General Election campaign becomes the most thoroughly marketed ever in the UK with a combined spend among the main political parties of more than £7m.

The ad industry's first hostile takeover saw financially beleagured J Walter Thompson, the aristocrat of world advertising agencies, for £351m ($566m) absorbed by the little known WPP group, arguably Britain's fastest growing company at the time, in an audacious move that put chairman Martin Sorrell into the big league.

Martin Bosse, chairman of Bosse Massimi Pollitt, still perhaps the most admired all-rounder agency in town, becomes chairman of the Advertising Association.

JULY:

Government-backed launch of new brand of condoms in aid of AIDS research. Under entrepreneur, Richard Branson, profits from the Mates brand products goes to a research foundation. An £8m ad campaign backs the launch.

Saatchi & Saatchi becomes the nation's top creative award collecting agency, according to Campaign magazine, winning 12.6 per cent of the principal European awards for creativity in the past five years.

AUGUST:

MTV Europe, the US-based, 24-hour pop cable channel is launched

SEPTEMBER:

Clanger of the year – Saatchi & Saatchi's announcement that it has aspirations towards financial services is ridiculed in the City and unleashes a torrent of disbelief from industry commentators.

"Coffee-time" television is formally launched on ITV.

IBA submits to prolonged pressure from advertisers and agrees to extend commercial minutage from 7 to 7½ minutes an hour in peak time television.

OCTOBER:

Saatchis splits from its most famous account, the Conservative Party.

Black Monday. As world stock markets collapse, the advertising sector takes a battering but fares better than many other sectors. According to a price index from Sheppards & Chase, the stockbrokers, of 41 investment sectors, agencies were third least affected sector with a drop of only 13.2 per cent against the market.

NOVEMBER:

Mates condoms commercial appears on BBC, without the brand name.

Launch of the first European direct broadcast satellite, TV-Sat which, as the pioneer for extra-terrestrial broadcasting, is a turning point.

Advertising Age, the US trade publication, in a long analysis on the subject, concluded that global advertising is a myth.

Top UK advertisers voice their confidence in the economy in a MORI poll and announce they are unlikely to cut their ad spend next year. despite the crash.

Movement for the Ordination of Women appoints an ad agency to rid the Church of England of sexual discrimination.

Proposed government levy on audio tapes, which would affect makers of radio commercials, is dropped.

Drinks companies respond to increasing pressure from government and lobby groups to curb the prevalence of drinking and driving by pushing low alcohol drinks.

DECEMBER:

Loss of the year – Jeremy Bullmore, chairman of JWT in London for 11 years and of the Advertising Association for 6 years, retires. In more than 12 official farewell events, the industry queued up to say farewell to the man who put the respectable face on advertising and who consistently made the industry, as one admirer put it, "think and smile."

Feona McEwan

ARTS

The Foreigner/Albery

Michael Coveney

Three years ago, Rowan Atkinson scored a near bullseye in Larry Shue's *The Nerd*. In the course of that run, the author died in an aeroplane crash, aged 39. His last play arrives in London with another young star of new wave Light Entertainment, Nicholas Lyndhurst, in the lead. He is marvellous, the play better than *The Nerd*, the production confusing for too long but just about rescued by the end.

Lyndhurst is a stick-still droll who has made a name for himself in TV sitcom, notably *Only Fools and Horses* and *The Two of Us*. Tall, lean and moon-faced, he possesses a true star quality of physical repose and quiet, confident comic authority.

As Charlie Baker, he arrives under military cover in a fishing lodge in the Deep South, a stateless refugee from a compulsively promiscuous wife who is dying of cancer. He is a science fiction proof-reader cognizant of his boringness and anxious to acquire a personality.

This goal he paradoxically achieves by playing "foreign," disowning his language and reinventing himself as a stumbling conciliator. He becomes a language pupil of the resident illiterate, Ellard Simms (William Hope); confidant to that booby's pregnant but otherwise unfulfilled sister, Catherine (Melinda McGraw); and a mesmerising raconteur in a vaguely Eastern European Esperanto that sounds like a Peter Ustinov version of Serbo-Croatian.

The set-up is badly managed in Nick Broadhurst's production. It is 20 minutes before you know under what pretext the implausible Cockney Army instructor (Peter Childs) has brought Charlie to Georgia. And, for an English audience, it is too long before we realise that the lodge is threatened by the Ku Klux Klan, which hideous witch hunt seeks a new White Christian headquarters under the leadership of Catherine's dowry-devouring smarmy Reverend husband (Jay Benedict).

The Rev's accomplice is the snarling hippy gofer (Stuart Milligan) who hates blacks and Jews and last saw "a foreigner" wriggling on the end of his bayonet in Vietnam. More acquiescent views of other cultures are expressed in Doreen Mantle's accommodating hostess, an equally cruelly observed figure of American insularity. She's impressed by anyone she cannot understand and therefore designates superior. Whole discussion areas of American hospitality – a national trait second to nobody else's, in my experience – open up.

The play is really a philosophical farce about American stupidity, which means that American tourists who patronise the Albery will feel either alienated or very much at home. Same goes for us lot. The purifying of America is a theme that runs deep in that nation's collective guilt and psyche.

In *The Nerd*, Atkinson played a Mid Western Vietnam hero outstaying his welcome in the home of the man whose life he'd saved. The trouble here is we never understand why "the foreigner" should be English. Surely Charlie should be a sensitive New Yorker. Larry Shue is switching his cultural transactions around in this play, and solving them without, as in *The Nerd*, a cheap grinding of the plot's gears.

We have a wonderful farcical denouement to the Ku Klux Klan invasion, and an accumulating sense of indentity in Charlie, whom Lyndhurst has invested with glorious gobbledegook and story-telling powers.

I note that the craven, dull and unimaginative SWET Awards nominations make, predictably enough, no mention of Simon Gray's *Melon*, Peter Nichols's *A Piece of My Mind*, Willy Russell's *One For the Road* or Griff Rhys Jones's *Arturo Ui*. Those shows, like this, were not perfect. But they evince signs of intelligent life in the West End that deserve to be recognised. In New York, *The Foreigner* was a hit. But only off-Broadway.

Alastair Muir

Nicholas Lyndhurst and Doreen Mantle

Carmen/Grand, Leeds

Max Loppert

On an edgy first night the new Opera North *Carmen* seemed to be a case of ambition considerably o'erleaping itself. The staging is by Richard Jones, the remarkably gifted young producer of Opera 80's *Rake's Progress*, Wexford's *Mignon*, and Kent Opera's *Night at the Chinese Opera*. But *Carmen*, that eternally fascinating, damnably elusive Chinese-box assemblage of comedy and tragedy, is a tougher assignment than any of those previous operas, as the untidy, unfinished air of Tuesday's performance appeared to bear out.

A thread of cool, questioning intelligence runs through the best scenes. The milieu of the opera is newly imagined, not taken for granted: with his designer, Nigel Lowery, Mr Jones has created for the first two acts an enclosed box-space in which the drama can be played out with clean-lined directness. By means of costume cut and flat-textured set surface (Act 1 in canary yellow) the suggestion is planted of a Spain at the airless, becalmed centre-point of the long Franco era: a sunbleached Mediterranean dictatorship regimented by the Catholic Church and the Civil Guard.

The tensions that an uncompromisingly freedom-loving gypsy heroine can stir up at the heart of such a setting stimulate a fresh response to the central themes of this opera; the cross (used as a potent recurring image) figures prominently in the background to Jose, and Micaela's explicitly enacted devoutness takes on a particularly suffocating character in the chosen context. Along with such intelligent, unhackneyed "placing" there goes much appealing wry humour in the opening scene, and a strikingly economical command of theatrical gesture that bodes very well for the opera's later conflicts.

But the show seems able to delve the drama no further or deeper than in its ground-laying stages. One quickly tires of the choral groupings lining the front of the stage; perhaps because most of the cast have still to enrich their contributions with any emotional substance or detail, a similar (and more seriously debilitating) feeling of flatness settles on the leading roles. Why Carmen should ever have evinced the faintest flicker of interest in the wet, wimpish Jose that Dennis O'Neill is invited to show us is a question never answered. Altogether, the producer appears to have run out of genuine motivating force in the final two acts – the mountain-pass, reduced to a ramp and poorly lit, is a particularly blank, undramatic location. (There is a hatefully large cut in the fight duet.) This production urgently needs re-thinking and re-working.

It also badly needs a different conductor, for on Tuesday Alexander Rabhari (British operatic debut) led an impossibly mannered Interpretation-In-Capital-Letters, full of textual exaggerations, push-pull phrasing, extremes of tempo (there were agonizing slow patches in the Jose-Micaela duet), and self-conscious, unspontaneous-sounding applications of rubato and rallentando. The style of the musical reading goes hard against the grain of the production style; the fact that Mr Rabhari's massagings and manipulations inspired some shapely, attractive solo playing and lively choral singing (as well as a horridly out-of-tune boys' chorus) was, in the circumstances, no kind of compensation.

In the title role Cynthia Buchan sketched the toughly honest, unsentimental portrayal she may well proceed to fill out when her vocal resources are back at full strength; on this occasion the unevenness of register alignment was so pronounced, the defective quality of top notes so obvious, and the coarseness of tone (except in the mezzo's splendid low range) and phrase so disconcerting, that one was forced to suspect an unannounced cold. The bloom has gone from Mr O'Neill's tenor, but his singing of Jose's music is secure and, at moments not hampered by the conductor, sympathetic. Marie Slorach's Micaela, unflatteringly costumed, produces such a tender legato line (unlike almost everyone else on stage) that one willingly tolerated the harsh threads in her timbre. The Escamillo is that promising young baritone Anthony Michaels-Moore, strong, confident, needing more colour and elegance in his phrases. The John and Neil Moody translation comes up well, but the spoken dialogue is often uncomfortably stilted in delivery.

A disappointing evening: but perhaps one's expectations had been unreasonably high-pitched.

Speculators/The Pit

Martin Hoyle

This is the one about the old king who loses his grip and is deposed by the young claimant in the inexorable run of things. It could be set among Chicago gangsters or prize fighters or rivals for the *petit point* trophy at the Women's Institute, though ultimately it belongs to *The Golden Bough*. Tony Marchant's new play sets it among the unlovable foreign dealers of today's or even tomorrow's City whizzkids.

Inevitably it demands comparison with *Serious Money* and has a hard lesson to learn in marketplace economics: there is only so much room for shouting, foul-mouthed, hard-bitten go-getters getting rich quick. If the description smacks of cliche, that is nothing to Mr Marchant's characterisation.

Unlike Caryl Churchill's satire, so embedded in the system it portrays as to be unintelligible to the uninitiated, this piece tries for conventional human interest.

Thus flagging cable dealer Graham is allowed one scene where his fluffy blonde wife laments the lonely splendour of their 600-year-old Kentish farmhouse. An incurable vulgarian, she nevertheless is sufficiently articulate and self-aware to come up with such *aperçus* as "I'm a working-class girl and I don't have to work any more. I'm confused;" or "We are wearing money, that's all. We haven't learnt to make it look natural." This over-expository style, frequently at the expense of the character's consistency, is typical of Mr Marchant's writing.

Even more painfully mechanical (those years in television have taken their toll of the writer's stagecraft) is the introduction of the proud umbrella-maker, an old-style artisan let down and disowned by his hard-bitten daughter on the corporates desk, and played by Raymond Bowers with the throbbing delivery of one who has never tooled a spoke in his life.

The line-up of stereotypes includes a sceptical Yank and the wheeler-dealer specimens of "Britain's golden children" yelling their way through their Porsche-buying and champagne-binges. Here the familiarity of the characterisation is partly redeemed by some good playing: Simon Russell Beale, vivid and incisive as ever, is the coke-snorting smoothie who regrets the passing of public school values; Gary Love's ebullient cockney kid on the way up (surely we met him in *Serious Money*?) is a brill "football hooligan on a footballer's salary;" and Gerard Murphy musters a climactic intensity as the golden boy on the way down and out, ulcer, broken marriage and all.

There are good, scathing moments. A photograph of the office outing to Ascot (the young grey-toppered financiers are mistaken for yobbograms) is preceded by the command, "Say 'greed'!"; their eyes glaze over as they doff hats to the passing Queen, the mystique exerting its infallible spell. But the script is too full of damp-squib one-liners and half-cock aphorisms, none of the characters' backgrounds is more than sketchy, that of Graham totally baffling (he evinces shock at the sight of drug-taking): and the effect is dramatically inert.

Barry Kyle directs a performance that while not bad is merely lifeless. Both Fotini Dimou's set and Jeremy Sams' ominously bustling metallic music handsomely serve their purpose, though what that is never becomes clear. A long descent into bathos follows Mr Murphy's anguished, ulcerated departure since none of the others arouses the slightest interest, despite Robert Demeger's achievement in making himself the image of Peter Sellers in *I'm All Right, Jack*.

Alastair Muir

Gerard Murphy

Brendel's Schubert/Festival Hall

David Murray

Alfred Brendel's earlier recitals in his Schubert cycle have aroused mixed feelings (not least on this page). I can report without *parti pris* that the third recital, on Sunday, was puzzling and worrying in several ways; and that on Tuesday, in the last three sonatas, Brendel's playing was as beautiful, unforced and searchingly imaginative as it has ever been, or more. There have been suggestions that aggressive pedagogy is draining the life from his Schubert, and/or that repeating the cycle in so many capitals has achieved that effect. I suspect that on Sunday, at any rate, he was running a fever and should have been home in bed.

Consider the evidence. Cruelly tight tempi in slow pieces, leaving no singing-space; muzzy fingerwork in fast ones, many sour pedal-smudges; impossibly crabbed and jerky treatment of the serene first movement of the G major Sonata, such as Brendel wouldn't tolerate in a master-class; a general air of abstractedness – not concentration, just automatic-pilot – along with raw point-making in routine jabs. There were of course incidental dividends from Brendel's long, thoughtful acquaintance with the music, but by and large it was neither distinguished piano-playing nor illuminating Schubert interpretation.

Tuesday began to seem a disheartening prospect; in the event it proved the Sunday affair to have been a mere aberration. Even the stark C minor Sonata, where one feared more rhythmic kinks and hard blows, was delivered with a potent sobriety that strengthened rather than diminished the drama. The Adagio, scrupulously shaped, was poignant, and Brendel's rigorously held-in, relentlessly taut Rondo was not just a model but a real performance.

Two days' recuperation had done him a power of good. In the grandly lyrical A major Sonata (which began, admittedly, with traces of rhetorical juddering that soon faded) he offered some radiant *mezza voce* playing, and a largesse of subtleties that seemed faultlessly spontaneous. His long-focus views of the Andantino and the sweetly haunting Rondo were enhanced by colours more delicately suggestive and varied than I can recall in almost any Brendel recital before.

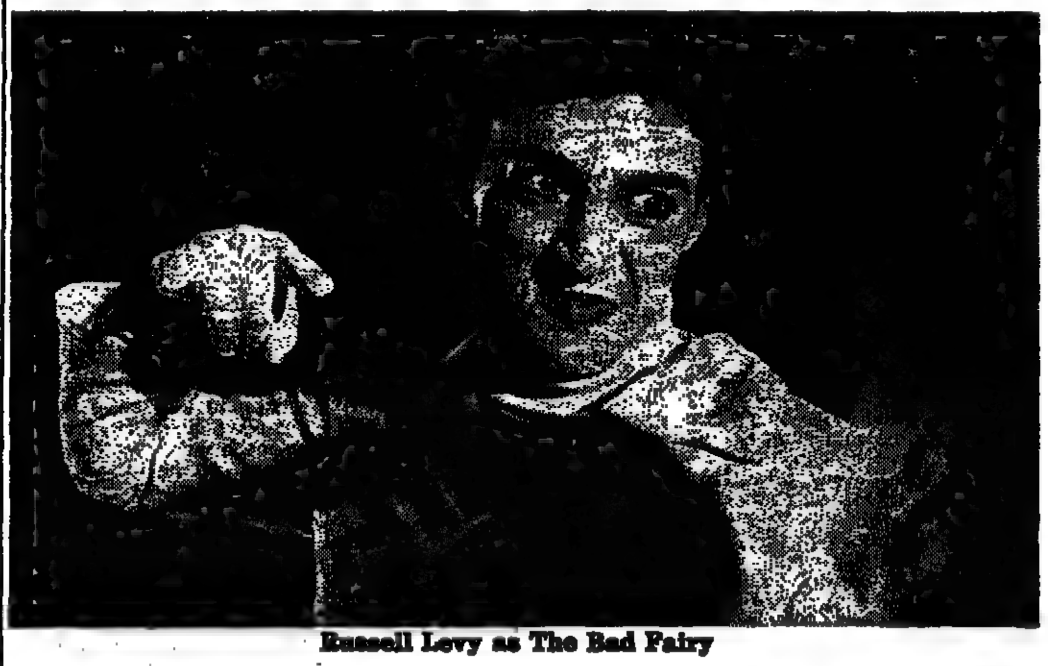
The B-flat Sonata, steadily unfolded at moderate tempi (no first-movement repeat), was all speaking grace: intimate, gently grieving tone preserved perfectly in the opening movements, the silvery chatter in the later ones heard through a soft haze. (Schubert's feigned memory-lapses at the end were preceded, rather touchingly, by a real Brendel one.) Yet the epic scale of the work was magisterially set out, and noble justice done to its visionary range. This time Brendel was evidently listening to himself very hard, and we were happily compelled to follow him. It was persuasion of a high order, and creatively loyal to his composer beyond argument.

First ever 'Billy Budd' at the Coliseum

The first production of Benjamin Britten's *Billy Budd* ever mounted by the English National Opera opens at the London Coliseum on February 24, conducted by David Atherton and produced by Tim Albery – both making their ENO debuts – with Thomas Allen, Philip Langridge and Richard van Allan.

The production forms part of "A Theme with Variations," a celebration of British music which will include concerts by the LSO at the Barbican between January–June 1988.

Other productions in the ENO spring season include revivals of Puccini's *Madam Butterfly*, produced by Graham Vick and designed by Stefanos Lazaridis with Janice Cairns, Anne-Marie Owens, Norman Bailey, and Edmund Barham making his debut as Pinterton; the Pountney/Scarfe production of Offenbach's *Orpheus in the Underworld*; Jane Eaglen returns as Santuzzu in Cavalleria Rusticana/I Pagliacci with Arthur Davies, Angela Feeney, Alan Woodrow and Alan Opie new to the cast; and the final performances this season of Humperdinck's *Hansel and Gretel* (which opened last night) and Richard Strauss's *Der Rosenkavalier*.



Russell Levy as The Bad Fairy

Heart of Ice/The Place

Claire Armitstead

Lumiere and Son have a style and polish that force one to take them seriously, yet I have emerged from the last two shows they have staged in London with an intense sense of dissatisfaction. After *Panic*, at Brentford's Watermans Arts Centre in February, I complained of the lack of text; *Heart of Ice* supplies a narrative but the dissatisfaction remains. The thought occurs that perhaps, like spent movie star Faith Feuillere, whose story is told in the show, Lumiere and Son themselves have mislaid their heart somewhere along the way.

Formed in 1973 by the director/writer partnership of Hilary Westlake and David Gale they are on the mature side of new theatre – and maturity seems on this limited evidence to have brought with it a cooling of the blood. Yet there is much to admire in their use of music (Jeremy Peyton Jones) and slide projections (Simon Corder) as a means of creating atmosphere and environment. *Heart of Ice* moves on a step from *Panic* in allowing abstract images to play around concrete narrative, cobwebbing the performers with light that, at its most assertive, makes them fade into what could be the background of an Arthur Rackham illustration.

The centre of the stage is occupied by a white-garbed troupe who represent the various archetypes of fairytale. To one side, in front of a shattered glass sits Faith Feuillere who, we learn through her own recollections echoed in scenes from childhood stories, has remained frozen since the failure of her budding movie career 50 years earlier.

Her inability to feel is represented as an inability to make contact with the characters of her subconscious: bored and frustrated they make one last effort to melt the glacier, plying the combined forces of good and bad fairies, foolish monarchs, a prince who cannot make his mind up whether he is a prince or a frog, and a tempestuous princess who keeps changing the end of the stories.

Unfortunately what sets itself up as a process of illumination often does the opposite: David Gale's script is characteristically eccentric – to the point, early on, of making it hard to distinguish between acoustic smudge and intentionally obscure wording. Westlake stamps the performances with a technical accomplishment that leaves little space for the sort of interplay that would make an excursion into an adventure.

Saleroom/Antony Thorncroft

Famous view unsold

Sotheby's had a major disappointment at a minor sale of Victorian pictures and sculpture yesterday. The top lot, a view of Ludgate Circus painted in 1887 by John O'Connor, and showing a steam train going across the bridge under which pass hansom cabs, was unsold at £52,000. It is famous, at least among City types, from a hundred Christmas cards. The owner obviously considered the image to be more important than the quality of the art and although the last price bid was at the bottom of the estimate it was bought in. It was the main reason for an unsold percentage of 38 per cent on a total of £465,300.

Among the works that did sell were an Edward Ladell still life of fruit which made £22,000 and "On the houseboat" by Arthur Hacker which went to the dealer David Messum for £21,450. Another Victorian still life of fruit, by Eloise Stannard, made £14,300 and "The treasured volume" a genre painting by Harry Brooker depicting a young lady reading an article presumably penned by her, or by a loved one, sold to the US for £13,750.

Sculpture brought in £20,086 with the London dealer Peter Nahum securing "The sluggard," a 20 inch high bronze by Lord Leighton, for £4,400.

Christie's was selling decorative arts from 1880 to the presen day, and also clocks and watches. Both sales exhibited two characteristics of recent weeks, a fairly high unsold percentage and a preponderance of telephone buyers for the more expensive lots.

The decorative arts totalled £105,7682 in the morning session with 22 per cent bought in. Top price was the £14,300 paid over the telephone for "Eastern dancer," a bronze and ivory figure by Schmidt Cassel, 38.6 cm high. The price was within forecast. A Cartier rock crystal silver and ivory swizzel stick holder, the essential Christmas present for the person who has nothing, made £7,700. It was created in 1926 and has room for twelve ivory swizzel sticks. It was bought by Cartier. A 160 piece table service designed by Georg Jensen sold for £7,150.

A strong pound and a weak dollar is persuading British dealers to go to New York on buying trips. At Sotheby's in New York on Tuesday N. & I. Franklin of London paid £28,091 for a pair of George III silver wine coolers made by Matthew Boulton in Birmingham in 1813. Top price in the sale was the £39,919 paid for a very rare Russian silver gilt and shaded enamel pictorial punch bowl and ladle made in Moscow around 1910 by Fyodor Ruckert. An eighteen carat gold chess set made by Piaget, with one side white gold, the other yellow, realised £31,048.

The auction world is working hard to raise money for AIDS research and treatment and the next charity sale will take place on Monday, December 21st at Hamilton's Gallery in Carlos Place, London. It is organised by the Virgin Healthcare Foundation and among the objects coming under the hammer of Nick Bonham, of Bonhams, will be Richard Branson's personal log book from his "Voyager" balloon flight; a complete drum kit from Queen; and contributions from David Hockney and Patrick Procktor. The artifacts for sale can be viewed at Hamilton's.

New Trustee for V & A

Maurice Saatchi, co-founder of Saatchi & Saatchi, has been appointed a Trustee of the Victoira and Albert Museum in succession to Andrew Knight, who has resigned.

Arts Guide

December 11-17

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Petit Palais, Ave Winston Churchill; **Musee d'Art Moderne de la Ville de Paris,** Ave President Wilson. Five Centuries of Spanish Art. An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are El Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne. Picasso's Century is dominated by the master, from the period of analytic cubism to 20 preparatory sketches for Guernica and to his last works. But there is also Juan Gris, and Miro, Dali and Tapies. Both exhibitions are closed on Mondays and both end on Jan 3.

Grand Palais. The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Ends Jan 4.

Musee des Arts Decoratifs. A King's Table. Some 400 pieces of 18th century silversmith's work from the court of Denmark conjure up the glitter and magnificence of the Service a la Francaise. For the kings of Denmark, as for the rest of Europe, Versailles represented the ideal court setting and they ordered tureen and service dishes, cutlery and candlesticks from the greatest of Parisian silversmiths. The ensemble is made even more precious by the disappearance of the French Royal collections, melted down repeatedly to pay for ruinous wars and at the approach of the Revolution. 107 Rue de Rivoli (42603214). Closed Mon and Tue. Ends Jan 3.

Picasso's Drawings. Coinciding with the publication of a catalogue of Picasso's drawings belonging to the Paris Museum, an exhibition of 136 drawings retraces the panorama of the artist's creation. There is his early work of academic perfection confronted with daring shortcuts preparing cubism. The period of Les Demoiselles D'Avignon is evoked by a drawing representing friendship, while portraits of Dora Maar and Jacqueline in the atelier return to a more classical conception. The violence of the minotaur and of the Crucifixion images is followed by variations on Femmes d'Alder. Finally there is his uncompromising, moving reaction to the approach of old age and death. Musee Picasso (427 12521). Closed Tue. Ends Jan 4.

Centre Georges Pompidou. Lucien Freud chose the 83 paintings for his first retrospective outside England. Apart from a portrait of Francis Bacon and a series of portraits of his first wife, the exhibition is dominated by his figurative nude portraits of the last 20 years. Closed Tue. Ends Jan 24 (427 71233).

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst shows sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition covers four decades in 130 sculptures, some larger than life, and about 60 paintings of sculptures by 51 artists. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Ends Jan 3. Mannheim Stadrische Kunsthalle from Jan 23 to Feb 21.

Munich, Kunsthalle der Hypo-Kulturstiftung, Theatinerstr. 15: Rene Magritte 1898-1967. This is the first extensive retrospective of the Belgium surrealist shown in Germany. 140 works from museums and private collections in Europe and the US will seek to refute criticism that he was not concerned about what he was drawing. Ends Feb 14.

ITALY

Rome, Villa Medici (French Academy). Picasso - the last years (1968-1973). The French Academy, proprietorial as ever towards the greatest of modern artists, has mounted a riveting exhibition of etchings, drawings and oils mostly from the last five years of Picasso's life. Having practically never been ill, Picasso had to undergo a serious operation towards the end of 1965 (aged 84). During the following year of convalescence, it seems that he brooded, not only about his health but about having lost his verve and creativity. He need not have worried. The exhibtion is so full of energy, invention and surprise as to be exhausting. The starting point of 1968 is chosen as the year in which Picasso began the first of his last two major series of engravings, known as the 347 Gravures. Many of these are on show and alongside these and many of the drawings have been thoughtfully placed photographic reproductions of works by Ingres, Poussin, Rembrandt, Goya and Manet which must have been at the back of his mind as he worked. Ends Jan 12.

Milan, Palazzo Reale. Eighteenth Century Italian landscapes from private collections organised by the equivalent of the British National Trust, the Fondo Ambiente Italiano. The exhibition includes 70 delightful landscape paintings, divided into three major groups or schools – the Roman (Van Wittel and Hendrik-Frans Van Lint), the Venetian (Canaletto, Bellotto, Guardi) and the Neapolitan (Joli, Bonavia, Tommaso Ruiz and Pietro Antoniani. Ends Jan 17.

NETHERLANDS

Amsterdam, Van Gogh Museum. The complete graphic work of Toulouse-Lautrec. Ends Jan 17.

Amsterdam, Art Institute. 48 key Impressionist and Post-impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam, Rijksmuseum Printroom. As a pendant to the survey of landscape painting in the main galleries, the printroom is showing a fine selection of 100 17th century drawings devoted to the theme of Land and Water. Ends Jan 3.

Amsterdam Rijksmuseum. A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquility of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded scenes of Hobbema. Ends Jan 3.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art. Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

Jan Krugier Gallery. This new gallery is inaugurated with 60 Cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E. 57th, 6th floor.

WASHINGTON

National Gallery. A Century of Modern Sculputre, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Azabu Museum. Edo Pastimes. This exhibition of screens, scrolls and paintings with works by courtesans in the old Yoshiwara Pleasure Quarters of Edo (now Tokyo) evokes the colourful and lively leisure pursuits of an era when the Japanese were not obsessed with work. Ends Dec 26. Closed Mondays.

100 News Scenic Spots in Tokyo. A modern version of the series of woodblock prints by Hiroshigo. The spots were selected by popular vote among Tokyo's citizens and the metropolitan government then commissioned leading artists to depict them in oils or watercolour. The quality of the work is uneven but the exhibition offers a fascinating insight into what the Japanese consider picturesque. Worth seeing also for the Teien Museum itself, a former private residence with a lovely garden and one of the world's finest art deco interiors. It is rarely crowded either. Tokyo Metropolitan Teien Art Museum near Meguro. Ends Dec 22.

Manga-Art. Japanese manga (comic books) are read avidly by children and adults and there are those who make claims for them as an art form. Certainly the best manga artists are skilled designers and storytellers in visual form. This exhibition features drafts by 15 young artists, focussing on manga that poke fun at news events. Gallery Sanshindo, Ginza. Ends Dec 20.

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Compensation for injury

THE iniquities of the UK and US laws of liability for personal injuries have again been brought to the forefront of attention by the latest developments in the Opren case in the UK and the Dalkon Shield case in the US. In the first a staggering disparity appeared between the damages awarded to claimants in the US and those offered in the UK.

The second case demonstrates how US juries can drive manufacturers into bankruptcy. Neither the UK nor the US system seems to produce reasonable results and both produce them only after a delay of many years – a whole decade sometimes – so that they are of little value to those in need at the time their need is greatest.

To win in their litigation, now five years old and bound to take many more years, the Opren claimants would have to prove that the manufacturer and the UK authority which licenses medicines were negligent – a most difficult task, to say the least – and there is some doubt whether the legal aid fund would continue to support them in it. But even when there is no longer a need to prove negligence in respect of faulty products supplied after March 1 1988, when the product liability provisions of the 1987 Consumer Protection Act come into force, the claimants will not be much better off.

Absurd situation

The act will open to the manufacturers the defence that the product was made and supplied in accordance with the scientific and technological knowledge available at the time. It would again take many years and exorbitant legal costs to prove them right or wrong on this point. No doubt the position of the claimants could be improved by revamping the litigation process but the welcome changes suggested by the Civil Justice Review with the support of Lord Hailsham, then Lord Chancellor, would not be enough.

Modern disasters produce hundreds of victims – many thousands in the case of an unsafe drug; hence the need for the disposal of a large number of related claims in single proceedings. The introduction of the class action procedure is now supported both by the judiciary and the Law Society.

The need for a modified contingency fee system, which would free claimants from the unbearable risk of legal costs or dependence on the uncertain support of the legal aid fund, is also now being considered by the Law Society. It would remove the absurd situation in which only the very rich, whose dependence on compensation for injury is least, can afford to sustain a prolonged litigation, while those who are neither rich nor poor cannot even think of starting it.

More reform would be required to remove the other fundamental injustice; that if two people suffer similar crippling injuries in two accidents, only the one who can prove that it was due to somebody's negligence has a chance, while the other is bound to remain empty handed.

Revolving fund

All these matters were considered in the (Pearson) Report of the Royal Commission on Civil Liability and Compensation for Personal Injury. Its unanimous recommendations, made 10 years ago, warmly supported by Lord Denning and Lord Scarman later, have been mostly ignored by the Government.

Compensation for personal injuries should not depend on proving negligence and the ability to litigate. It should be proportional to need and paid quickly or by periodic payments according to need, supplementing what is available through the National Health Service and social security. The time has come to bring these Pearson recommendations one stage further.

Present day needs might be best met by a revolving fund from which compensation would be paid to victims of major disasters, unsafe drugs and other accidents whose nature and scope would have to be carefully specified. The fund would be replenished by contributions collected from those responsible for accidents or disasters. The fund would be in a much better position than individual victims to obtain a reasonable settlement or to litigate with a large company. Claimants dissatisfied with the decisions of the board or ombudsman in charge of the fund could appeal in much the same way they can now appeal against decisions on social security benefit. Such an approach would be both kinder to the victims and still oblige industry to remain safety conscious.

Warning on the world economy

THE BEST reason for 33 distinguished economists to produce a proposal for "major policy changes to resolve the global economic crisis" would be that they have something new to say. The second best reason would be to repeat what policy-makers already know but would prefer to forget.

The statement, issued yesterday by nine major centres for policy research around the world, comes into the second category. It is the conventional wisdom of the last three years but with the recent stock market crash and dollar decline behind it. Unfortunately, adequate action has not followed understanding in the past. One has to wonder whether it will follow from a restatement of that understanding now.

The argument is that the present state of the world economy threatens global recession, the main problem being global imbalances. What is needed is large adjustments in the external accounts of the US, Japan and West Germany but without impairment of global economic growth. Comparable action is also required of the Asian newly-industrialising countries, principally Taiwan and South Korea, whose external surpluses are judged excessive. Equally necessary, it is argued, is the mobilisation of increased financial resources for developing countries, especially from Japan, as well as the avoidance of protection, notably in the US.

Right direction

A cynic could respond that this is the economist's equivalent of motherhood and apple pie but such a reaction would be somewhat unfair. The authors have tried to make quite precise quantitative recommendations: for example, they advise that the US external account should be adjusted by $200bn by the early 1990s. Correspondingly, the Japanese surplus needs to decline by $70bn to $100bn, that of Europe by $50bn to $70bn and of the Asian NICs by $30bn.

Most important are the recommendations for changes in what can be affected directly by policy. For example, the US is urged to commit itself to eliminate the structural budget deficit entirely over four years, at the rate of $40bn a year, a standard against which present proposals in Congress are judged "grossly inadequate."

It is not too difficult to pick nits but the qualitative recommendations are in the right direction. On one important point they are not merely right but relatively bold, namely, on the US fiscal deficit. By asserting that "now is the right time for cuts in the budget deficit" the analysis goes against the view that the stock market crash provided deflation enough. Failing fiscal adjustment, it is argued, demand could be reduced in the most dangerous possible way, by another stock market crash.

On only one major point is the analysis disturbing: the assumption that current account surpluses should be more or less eliminated.

Unhappy condition

It is difficult to disagree that experience with international capital flows in the last 15 years or so has been disappointing, partly because of the use to which capital imports have been put and partly because of the unstable environment in which they have occurred. Nevertheless, it is depressing that a world with so much poverty cannot find productive use for surplus savings from rich countries, such as West Germany and Japan, especially when those surpluses are only about 4 per cent of GDP. The welfare benefits of investment in developing countries would vastly exceed the benefits of the recommended increase in investment within these countries.

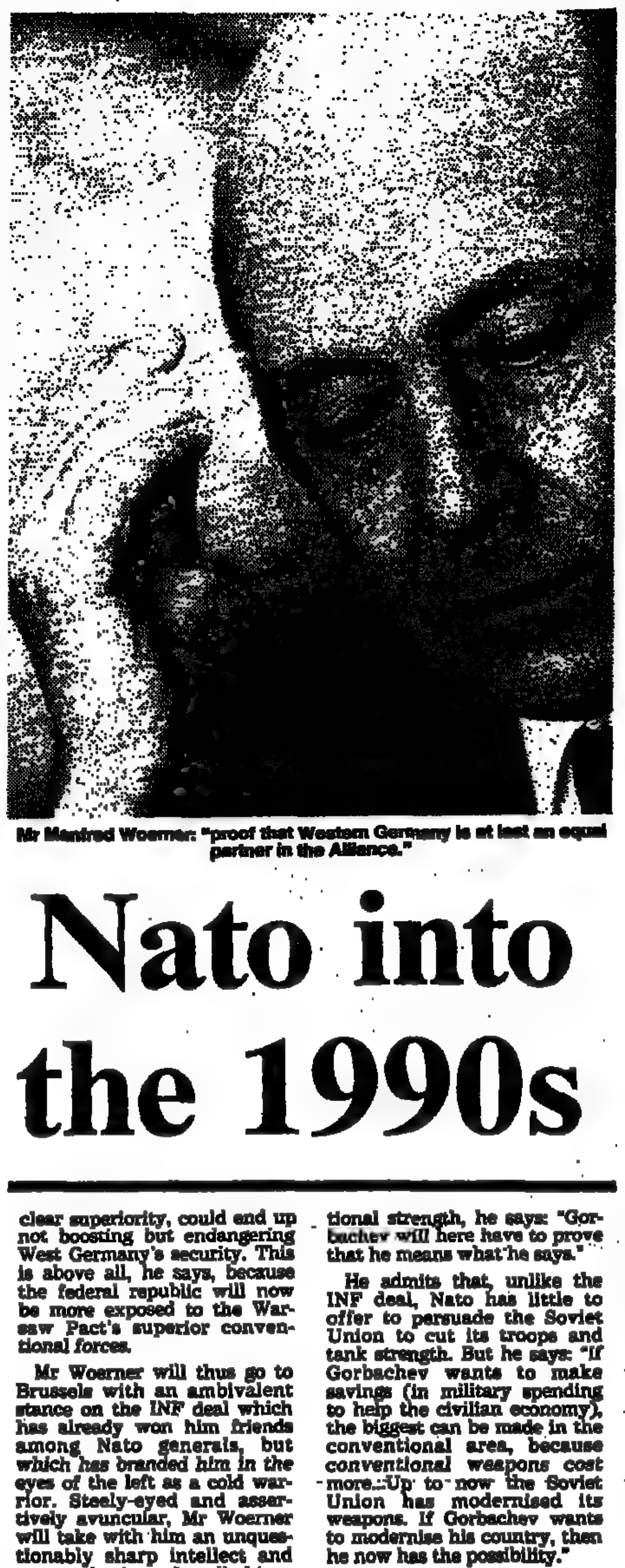
One can go further. If it is impossible to channel long-term capital flows on a large scale from rich to poor countries, the entire effort to liberalise capital flows would seem pointless.

One may also doubt whether much is added by the precise numbers and targets in the paper. It is difficult to believe that policy-makers who have shown themselves unwilling to do more than move a tiny step in the right direction will move more if told to move by a precise amount.

The major doubt, however, is whether anyone is listening. The present unhappy condition of the world economy is not an accident but is rather the result of policy-makers responding to the prevailing political incentives. Delineation, however persuasive, of the cliff towards which they are heading lacks cogency. Policy seems to react only to painful experience and so far experience has not been painful enough. The paper is, however, right to warn that an experience sufficiently painful for action to be taken may occur too late for such action still to be useful.

David Marsh talks to the Western Alliance's new political chief

Nato into the 1990s



Mr Manfred Woerner: "proof that Western Germany is at last an equal partner in the Alliance."

IN HIS SCARCE spare time Mr Manfred Woerner, the West German Defence Minister, likes to read East-West politico-military thrillers. Next July, in his new job as the next secretary-general of Nato, he will find himself in the middle of one.

Following his official designation on Friday in Brussels, Mr Woerner, 53, will take over from Lord Carrington as the first German to hold Nato's top political post.

After last week's US-Soviet accord on abolishing medium-range nuclear missiles, it is a crucial time for the 16-member alliance – and also for front-line West Germany.

In an interview this week at his hilltop Ministry outside Bonn, Mr Woerner was anxious to stress that, until next summer, he is speaking and acting as West German Defence Minister, not as secretary general-designate. He still has some thorny outstanding business – during the next month or so he will be battling with the Finance Ministry to secure more funds for West Germany's flagging defence budget.

As an example of the financial squeeze, he makes the point with vehemence that the European Fighter Aircraft (EFA) which West Germany is planning for the 1990s with Britain, Italy and Spain will be endangered unless costs can be kept down.

Mr Woerner stresses, however, the symbolic importance of the secretary-general's job going to a German, 32 years after the fledgling federal republic joined Nato.

Mr Woerner says: "It is of great importance for the West Germans. They see it as proof that the federal republic is at last an equal partner in the Alliance. It is confirmation for the outside world of West Germany's contribution to Nato."

Bickering within Nato over the rival candidature of Mr Kaare Willoch of Norway has plainly upset Mr Woerner, who was clearly preferred by the US and the other larger countries.

He praises Mr Willoch's decision three weeks ago to withdraw as "a noble gesture" and stresses: "I will not be the servant of the Germans, but of the Alliance."

The unusual public squabbling highlighted the delicacy of Mr Woerner's future task in working, mainly behind the scenes, to harmonise western defence policies. The job could be made more complicated by strains coming to the surface among the allies, and particularly in the federal republic, over the next steps in disarmament.

Defence Minister for more than five years in the Christian Democrat-led administration, Mr Woerner is a reserve pilot in the Luftwaffe who cuts an unashamedly controversial figure in Bonn.

He played a major part in pushing through, from 1983 onward, the deployment of Pershing and cruise missiles in West Germany which will be removed along with Soviet SS20s under last week's intermediate nuclear forces (INF) deal between President Reagan and Mr Gorbachev.

But during the past argumentative summer of discontent within the coalition in Bonn over the INF accord, he argued that the so-called "double zero" deal, abolishing all missiles of between 500 km and 5,000 km in range, but leaving those below 500 km where the Soviet Union has clear superiority, could end up not boosting but endangering West Germany's security. This is above all, he says, because the federal republic will now be more exposed to the Warsaw Pact's superior conventional forces.

Mr Woerner will thus go to Brussels with an ambivalent stance on the INF deal which has already won him friends among Nato generals, but which has branded him in the eyes of the left as a cold warrior. Steely-eyed and assertively avuncular, Mr Woerner will take with him an unquestionably sharp intellect and rare enthusiasm for all things military. But a man who often appears in his element in a flak jacket chatting to soldiers will also have to show little-suspected talents as a diplomat.

Mr Woerner rams home that, in future arms control bargaining, he will be a tough partner, both vis-a-vis the Warsaw Pact and also, presumably, within Nato itself. "Many people think that, because we have achieved a success in one disarmament sector, we can let up in defence efforts overall. In line with the present secretary-general, I can only warn against this. If that happens, it would give the Soviet Union an advantage which could allow them to dominate Europe."

Stressing the importance now of winning a reduction of the Soviet Union's conventional strength, he says: "Gorbachev will here have to prove that he means what he says."

He admits that, unlike the INF deal, Nato has little to offer to persuade the Soviet Union to cut its troops and tank strength. But he says: "If Gorbachev wants to make savings (in military spending to help the civilian economy), the biggest can be made in the conventional area, because conventional weapons cost more...Up to now the Soviet Union has modernised its weapons. If Gorbachev wants to modernise his country, then he now has the possibility."

Mr Woerner, respected but thought rather arrogant by fellow conservatives, was nearly forced out of office by a scandal in 1984 surrounding the alleged homosexual activities of a top general. He looks likely to bequeath a host of financial and management problems to his as-yet-unnamed successor.

But he will be leaving with his head held high – quite an achievement considering the gruelling nature of the job and the ignominious departures of several of his predecessors.

A split within the centre-right coalition on the vexed question of the sub-500 km range nuclear missiles left in Europe after the INF accord could still make Mr Woerner's last few months uncomfortable.

He is against reducing the short-range arsenals of the Alliance as long as the Soviet Union's conventional superiority remains. This line is backed by the US, Britain and France, who are all opposed to any further "denuclearisation" of Europe. But the emphasis is different from that of Mr Hans-Dietrich Genscher, the Foreign Minister, and the real victor in the Bonn coalition over the INF deal, who wants follow-on talks soon to focus on the shorter-range missiles.

Mr Woerner says: "The smaller the role of nuclear forces, the greater the effect of the disparities in the conventional balance. That's why I say the weight of our disarmament efforts must now be concentrated on the conventional area. That has priority."

For the same reasons, he also wants to maintain the West's option on modernising its tactical nuclear missiles. "This is not a question for today ,but for the 1990s," he says, but adds: "No one is served by giving up modernisation." Partly because he knows he has support in Washington, Mr Woerner is not afraid to stand up for Bonn's interests in the complicated defence relationship with the US.

Over American worries about allegedly protectionist attitudes in the European aerospace and defence industry , he says: "Of course it worries the Americans when we build an aircraft ourselves rather than buying one from the US, but we do not want to become, over the medium term, mere licensees of American companies."

On sporadic irritation in Washington that the federal republic has not done more to help in Gulf minesweeping, he says: "We have sent ships to the Mediterranean," and then reels off a list of figures of the "special burdens" West Germany has to bear....."We have 500,000 of our own soldiers, 400,000 from other countries, stationed here, 5,000 military exercises a year outside training areas, 100,000 low flights."

Mr Woerner is a committed Francophile who, in spite of the setback when the French pulled out of EFA, has helped pushed forward a considerable Franco-German military rapprochement during the past few years.

On the Franco-German troop brigade which will be formally constituted next year, he says: "It will not simply be there for parades, but will receive a concrete military objective. We think of it as the first step, which will be followed by others."

This line is backed by the US, Britain and France. But the emphasis is different from that of Mr Genscher. "From the military point of view, co-operation will be closer...Politically, France unequivocally increases its commitment to the forward defence of Germany."

He also responds to suspicion, most notably from Mrs Thatcher, that closer French-German co-operation could in some way undermine links within the Alliance. The proposed Defence Council between Paris and Bonn "is not orientated against the Alliance. The idea is false that we want to form a sort of directorate." And he adds firmly, for Mrs Thatcher and, maybe also for Mr Gorbachev: "It is better that the Germans and French should be co-operating than that nothing should happen. That is in the interest of the Europeans and of the Alliance."

THURSDAY BOOK REVIEW

Walesa

by Lech Walesa

Collins Harvill £12.95

AMONG THE more remarkable aspects of last month's referendum in Poland, two stand out: that it was held at all; and that 20 per cent of the electorate overcame their apprehensions to vote against the Government rather than merely abstaining.

General Jaruzelski was taken aback by the result, which was widely attributed to his and his Government's unpopularity – a factor he appears to have overlooked when he called the referendum.

But while the General may still cling to the theory that, by declaring martial law in 1981 and crushing Solidarity, he saved his country from incipient civil war and Soviet intervention, it is an image few in Poland appear to recognise.

Probably a more familiar image is that used by Lech Walesa, in his autobiography, in describing what the legalisation and then the suppression of the independent trade union meant to Poland.

"I would," he writes, "compare Polish society to a pauper who, for most of his life, occupied a small corner of a fine house only to learn, quite suddenly, that he is in fact master of the house, not its tenant."

"What," he asks, "does the pauper do?" He starts to restore the decaying building. As for the usurpers, if they want to stay on they must reach an accommodation with their new master.

This, he says, was how things looked during the autumn and winter of 1980-81 after the signing of the Gdansk Agreements. These gave workers the right to set up independent trade unions, provided for higher wages and reformed health, welfare and industrial management.

The agreements, as he saw them, opened the way for "a new phase of coexistence between workers and management, between citizens and their Government."

But on December 13, 1981, General Jaruzelski declared martial law. The dialogue between union and Government ended, union leaders, including Walesa, were arrested and the pauper returned to his little corner of the house.

"Had we failed?" Walesa asks. Judged by their unwillingness or inability to meet force with force, perhaps yes, he concedes. "But we had during those 500 days set in motion an alternative society, while the whole of Poland awakened from its long slumber."

In retrospect this sounds a bit like whistling in the dark. Since the imposition of martial law, the gap between government and governed has steadily widened as the General struggles to introduce the reforms which virtually all agree are necessary, but few wish to allow him the satisfaction of achieving.

But Solidarity, which campaigned for a boycott of the referendum, has virtually disappeared from sight, its campaign dismissed by many voters as being as irrelevant as the referendum itself.

How did it all go wrong? Walesa's account of Solidarity's 500 days of legal existence is founded in the belief that failure was not inevitable. His first impression of Jaruzelski was anything but hostile: "I had a certain respect for Jaruzelski. The General's language was unexpected – lively, different from what we were accustomed to hearing." At their first meeting there was "a current of understanding."

For Walesa this represented a starting point on the road to a compromise, but on Jaruzelski's part, he concludes, it was only a ploy to try to win over an adversary.

The recent history of Poland, he says, is littered with democratic leaders who emerge expressing popular aspirations, are given a certain leeway and then allow themselves to be won over by the authorities. This, he was determined, would never happen to him, although he hints at a fleeting susceptibility to Jaruzelski's attempts to woo him and the temptation to yield to the argument that more can be achieved by working on the inside than by confrontation. This is an argument that comes naturally to Walesa, who seems to have devoted much of his energies as union leader to reining back his more hot-headed membership, sometimes at the risk of his position and always at the risk of abuse and accusations of betrayal.

The picture of Walesa that emerges is of a simple, deeply religious, highly intelligent, but above all sensible man, who managed despite his inexperience to keep his head while all about him were losing theirs.

The portrait has its (unintentionally) comic side, with the great man forever rushing off to deliver another speech to the rapturous crowds, noting with mild bewilderment on his way out that his poor perpetually pregnant wife is about to go into labour for the sixth or seventh time. But for all his faults, readily admitted, he does seem to have been the right man at the right time.

Was he wrong to think that by argument, patient lobbying and willingness to compromise he could massage the authorities and the system into accommodating the broad movement which Solidarity represented?

"Mr Walesa, you'll never make a good politician," an official told him while he was being held under arrest. "Because you are afraid of bloodshed."

A natural politician, Walesa sees bloodshed as the failure of politics; while the General, searching blindly for a partnership with his sceptical, mistrustful people, has not the first idea how to start constructing one.

In another recently published tome from the East, the Soviet leader Mikhail Gorbachev recalls how he berated his country's trade union leaders "for pandering to managers, sometimes going so far as dancing to their tune. I asked them whether it was not high time they took a position of principle and stood up for working people."

The Poles, unlike the Russians, need no such lectures. But if Mr Gorbachev can demonstrate that "democratic centralism" is not a contradiction in terms and that independent trade unions can survive under socialism as practised in the Soviet Union and its east European satellites, then he will have proved himself a true revolutionary.

In the meantime, Lech Walesa could probably teach him a thing or two.

Margaret van Hattem

VSEL sails for Canadian waters

VSEL, the Barrow-based builder of submarines, yesterday launched the commercial vessel with which it hopes to win one of the world's biggest defence export contracts – the Canadian Government's £3.35bn programme to build up to a dozen nuclear powered submarines.

It will sail under the name of VSEL Defence Systems Canada, and will have two retired Canadian admirals on board.

Rear Admiral William Christie, once a senior official in Canada's military procurement department, is president of the new company.

His countryman, Vice Admiral Jock Allan, is on the board, which also includes three VSEL representatives, headed by Frank Noah, VSEL's commercial director and chairman of the new company.

Technically, VSEL's rivalry is with the French for the design and initial supply of the nuclear subs which overall, the Mulroney Government has decreed, must have 65 per cent Canadian content – hence the need to create a local Canadian company.

Pitted against VSEL's Trafalgar class submarine is the French Rubis class boat.

But VSEL's real foe may be the US Navy which has taken strong exception to the Canadian Navy going nuclear. It fears that any accident in an under-funded and politically controversial Canadian submarine programme might lead to such environmental concern south of the border as to scuttle effectively the near 40 per cent of the US Navy which is nuclear-powered.

Export of the Trafalgar needs US approval because part of its reactor is US-designed. That approval has not yet been given.

VSEL might, however, be well-advised to tap the advice of a new British company director, Dr John Lehman, secretary of the US Navy from 1981 until this year, who has been appointed to the board of Westland, the Yeovil-based maker of helicopters.

A nominee of Sikorsky on the Westland board, Lehman is now a Washington consultant. Westland might not be his only British client.

Men and Matters

Heavy smoker

Lord Belstead, Environment Minister, appeared slightly bemused when presented with a daunting Christmas present by the Fellowship of Engineering, a learned society consisting of 705 of the nation's most worthy engineers.

Their president, Sir Denis Rooke, helpfully explained that the weighty, four-volume, tome on "acidic emissions abatement technologies" was the outcome of two years of study at the request of the Environment Department.

As a result, the department's technical advisers, contractors, and assorted members of the vociferous energy and environmental lobbies, now have a handbook embracing almost every known way of cleaning up engine exhausts of every description – from power stations to "phutphut" bikes.

Stalwarts led by Sir Freddie Page, a former executive of British Aerospace, spent £220,000 compiling what they believe to be the world's first comparative assessment of clean-up processes for the fumes from burning coal, gas, and oil.

They cover all the technologies expected to be available by the year 2000 – except for those where inventors have been too coy to reply.

Garden markets

With the appointment of John Paine as the first marketing director of the Royal Opera House, the team to take Covent Garden into a turbulent future is complete.

First came Bernard Haitink to pep up the musical side. Then Sir John Sainsbury as a chairman who understood finance, and Jeremy Isaacs from Channel Four as a general director who could add flair.

It will be Paine's task to boost audiences and revenue, and help to eliminate a £700,000 deficit on this season.

He has a hard task. Covent Garden already attracts an average audience of almost 90 per cent of the house capacity. He is looking for 95 per cent.

Paine has a good sales background for his new job, however. After stints at Hotpoint and Lyons he joined J Walter Thompson, the advertising agency, 22 years ago. His major client as an account director was Kelloggs. More recently he has looked after Rolex and RHM.

It is a wrench leaving the most clubbable of agencies. But the recent lowering of compulsory retirement there to 55 is likely to encourage 53-year-olds like Paine to look around early for a second career.

When the head hunter called he was ready.

Paine is an opera buff."I'll be blending a hobby with a job" – something he tried to avoid at JWT when taking clients to Covent Garden was regarded as a chore.

As for getting existing JWT clients involved, there are natural possibilities with Rolex which advertises around big name users. Among its satisfied clients are Placido Domingo and Kiri te Kanawa.

Can we look forward to the Rolex Ring?

Welsh connection

The brothers Ryan, who set up Ryanair 18 months ago, challenging the might of the major airlines for a slice of the business between Britain and the Irish Republic, added a Celtic notch to their growing airline system yesterday when they landed in Cardiff.

The flight was the start of a service between the Welsh and Irish capitals.

Declan and Cathal, whose father Tony runs Guinness Peat Aviation, have built up a strong following using Luton as the way home for Irishmen in exile in the London area.

Market research has shown there are a lot of Irishmen in and around Cardiff who would like the chance of a quick trip home, too.

"We're putting on a daily service till Christmas," said commercial director Derek O'Brien as the first aircraft touched down. "After that, we'll be going three times a week".

The Brazilian-made Bandeirante mini-airliner being used has only 15 seats. But O'Brien promises that if the demand is good Ryanair will put larger jets on the route next summer.

Party pooped

The gods meted out a crude form of divine retribution to the 2,000 administrative employees of the Stock Exchange by sabotaging their Christmas party this week.

In the early months after Big Bang the exchange ran into strong criticism for the repeated failures of its electronic communications systems. Ironically, the Christmas thrash was hit by technical problems too.

It was to be held in The Brewery, in Chiswell street.

Just before the fun was due to begin that part of the city suffered a major electricity cut.

The organisers were reassured that power would be restored before first guests arrived at 6pm. But the party had to be abandoned at 6.30 when the only sign of electricity was that generated by several hundred mutinous revellers standing outside in the rain.

A case of not being able to organise a "party" in a brewery?

Clean break

A London broker, who was told by his new American manager to attend a working breakfast meeting at 7.30 am, replied, "If I had wanted to get up at crack of dawn I would have been a dust-man".

Guess what he is doing now?

Observer

ECONOMIC VIEWPOINT

Digging a hole in US demand

By Samuel Brittan

OCCASIONALLY there appears a study which states the logic of a controversy which is equally useful to participants on all sides, as well as to those who simply want to understand.

The example I have in mind is not the Statement by 33 Economists on the Global Crisis issued yesterday. It is a less ambitious but instructive paper entitled Adjustment in the World Economy, by Professor Paul Krugman of the Massachusetts Institute of Technology*

He describes the preconditions for an improvement in the US current or trade balance. The reader should find the argument straightforward if he examines it *in conjunction with the table.*

Let us suppose that the US reduces domestic expenditure through fiscal policy by $100bn per annum and assume all prices and exchange rates to remain constant. Let us also make the more optimistic assumption that other countries take US advice and raise their expenditure by a corresponding $100bn. (Package A in the table.)

On the most favourable estimate Krugman can find, US spending on imports falls by $33bn. He then looks at the effects of increased spending in the rest of the world. Again, on the most favourable estimate, some $12bn of the $100bn increase would take the form of higher spending on exports from the US. Total US demand is, therefore, reduced by $55bn. This consists of the original $100bn reduction offset by $33bn of lower imports and $12bn of higher exports.

The results are not surprising. They simply reflect the fact that expenditure by US consumers and business is still largely on US products. The expenditure of the rest of the world is, to an *even greater degree, on its own* products rather than on those of the US.

The conclusion, on the basis of this illustration, is that a cut of $100bn in US expenditure has led to a reduction of the US payments deficit of only $45bn ($33bn in reduced imports plus $12bn on more exports); and the $55bn reduction in demand for *US goods is driving the US economy* towards recession.

As a *purely imaginary* exercise, Krugman works out (and we can all check) how much expenditure would have to increase in the rest of the world to avoid this recessionary pressure in the US - and to ensure that the US fiscal cuts are reflected 100 per cent in an improved balance of payments.

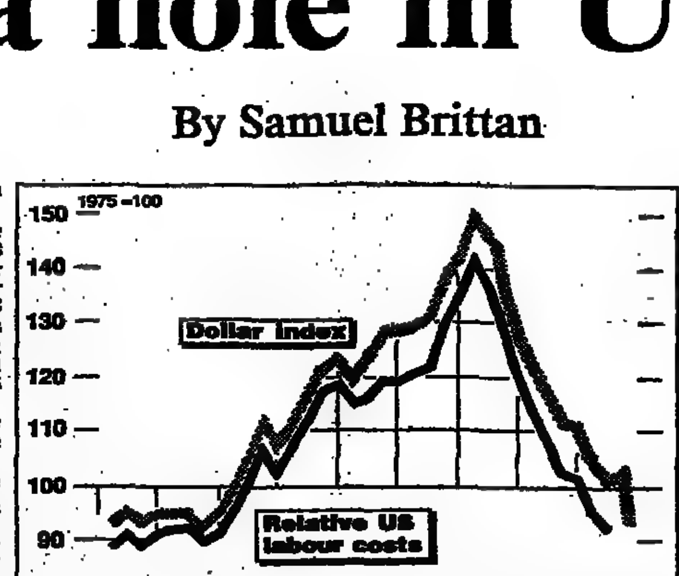
On his assumptions, the required boost outside the US would amount to $558bn per annum. After allowing for lower US imports and increased US exports totalling $100bn, this *would still mean an increase in* demand in the rest of the world of $458bn amounting to nearly 6 per cent of its output.

To eliminate, not just the $100bn in the illustration but the *whole US* deficit, by a combination of fiscal contraction at home and fiscal expansion abroad, would require an expansion of non-US demand of 8 per cent. In the real world, America's principal partners hesitate to provide a 2 per cent boost - let alone 8 per cent - for fear that the spare capacity will not be there and that the result of boosting demand will be *mainly more* inflation.

The moral for the US is clear *enough. Simply* reducing the budget deficit (or cutting domestic demand in any other way) *would have been an inefficient* way of reducing the US payments deficit when the dollar was at its 1985 peak. Price and profit incentives are needed to divert to exports or to import-saving the $55bn of production shown in the illustration as no longer needed to satisfy home demand.

These considerations can be brought down to earth for British readers who remember the events before and after the 1967 devaluation of sterling, so bitterly resisted by Harold Wilson. One of the more rational *excuses for not devaluing after Wilson's* second election victory in 1966 was the need to dig a hole first in the economy by domestic measures, which could then be filled by exports or import-saving. The hole was dug by means of an emergency package in July 1966. But the Wilson Government not only continued to resist devaluation; it proceeded to refill the hole by domestic reflation during a large part of 1967.

So the process had to begin once more when Roy Jenkins took over as Chancellor after the devaluation of November 1967. There was again discussion on whether he should dig a hole straight away, or wait until the export orders arrived to fill it. In the end he used both fiscal and monetary tools to dig a fair-sized hole. After many further sterling crises, the current account was eventually seen to swing into surplus in the summer of 1969.



To come back to the dollar. It has now fallen in both nominal and real terms right back to its 1979-80 low. It is also well below the levels required to equalise its purchasing power with that of other currencies (as evident by the number of business visitors who have lingered in New York for Christmas shopping).

It seems pretty clear that the *incentives to fill a U.S. hole* are well and truly in position. The problem is that the hole itself has hardly been dug. In other words US domestic demand is still far too strong.

Although I have irritated some British economists by pointing to the falling trend of the US budget deficit as a proportion of GDP after cyclical adjustment, the budget cutting clearly needs to go a great deal further. There is nothing to gain and a great deal to lose both for the US and the rest of the world in the supposed alternative of letting the dollar fall further, before appropriate domestic policies have given the large existing devaluation a chance to work.

In our example the recessionary pressures in the US would not remain for ever. The $55bn of unsold US products would exert downward pressure on US *pay and prices relative to those* abroad, just as the demand stimulus would create upward pressure in the rest of the world. Eventually US products would become sufficiently cheap and *profitable to increase their share* of overseas markets; and to displace imports at home. The $55bn demand deficiency of the example would thus be in the end eliminated - or, in more homely language, the hole would be filled.

The case for flexible exchange rates in a nutshell is that it is much easier to bring about the *relative pay and price adjustments* by means of a lower dollar than by painful downward pressure on US domestic product and labour markets. As Friedman once put it, it is easier to put the *clock forward than for us all to* get up an hour earlier when summer approaches.

Few would deny that once wages and prices are seriously out of line it is better to adjust *the exchange rate than try to* depress pay and prices directly. The British Government made the mistake of returning to gold at an excessively high pre-war parity, not only in 1925, but also after the Napoleonic Wars.

It is no accident that Krugman takes as his point of reference the dollar parity of 1985. Might it not be better still however to prevent prices in different countries from becoming so misaligned in the first place? Credulous readers of Krugman's paper may wonder how the Western world has managed for decades, and even centuries, to live with a more or less fixed exchange rate system, either via the link to gold, or more directly as in the Bretton Woods period.

The point is that under a fixed *rate system, neither the large* payments imbalances nor the price misalignments of the 1980s would have had a chance to emerge. If a country's exchange rate is fixed and expected to remain so, any tendency for pay and prices to rise above or below those of its competitors is checked by market forces at a very early stage before correction becomes too painful.

Similarly, governments cannot get away very long with financing their spending by overseas borrowing. For as their overseas debts rise, doubts begin to emerge either about default or about the ability of the government concerned to stay in the fixed rate system. It thus has to pay a larger and larger premium over prevailing international interest rates. Again the warning signals emerge before the problem becomes too deep-seated.

This does not mean that in a properly functioning fixed-rate *system that all current account* balances are zero. Krugman himself argues that Japan as a high saving country has a structural current account surplus of two to three per cent of GNP which could endure for many years. The other side of the coin is that some other countries must be in deficit.

Another example is that before World War One the UK had a *current account surplus of* 5 per cent of GNP, which was invested in what are now called Third World countries. The hallmark of a properly functioning world financial system is that savings *move to countries with the highest* rates of return on capital; and these countries can safely run a deficit. Savings do not go to finance excess personal or government spending.

The big risk of a floating system is that exchange rates will not only overshoot or undershoot; but that intended depreciations will simply be eroded by more rapid inflation. For this reason many economists would agree that exchange rates should not move to accommodate inflationary - or deflationary - movements. The knowledge that they will not be so accommodated will itself be an influence for stable prices. For a fully stable system, however, currencies have to be fixed not merely against each other, but against some external anchor such as gold or some more modern equivalent.

Some economists would argue however that exchange rate changes are still required to deal *with "real shocks" such as oil* price explosions or the discovery of local energy sources, which affect different countries in different ways.

In the end it is a matter of trading off the benefits of this extra flexibility against the benefits of a stable and predictable payments system. In striking this balance, we need to remember that the argument about shocks is likely to be abused whenever governments are going through a difficult patch.

I would guess that of all the major swings in exchange rates we have seen since the collapse of Bretton Woods in 1971, about 90 per cent represent either over or undershooting or the accommodation of differential inflationary pressures, and that 10 per cent, if that, represents a shift of relative prices in response to real changes in the comparative position of different countries. Thus the argument for *fixed exchange rates is not an* argument for over or under valuation but for timely adjustment of internal policies before disequilibrium become fundamental.

**(Group of Thirty, 180, The Strand, London, W.C.2. 1EX, and 227 Park Avenue, New York, NY 10172).*

Effects of fiscal packages
at constant prices & exchange rates — $bn per annum

	US imports	US exports	US demand	Rest of World demand
Package A US expenditure cut by $100bn, *RoW expenditure* raised by $100bn	-33	+12	-55	+55
Package B US expenditure cut by $100bn, RoW expenditure raised by $558bn	-33	+67	0	+458

JOE ROGALY

How to scrap the NHS

BRITAIN'S National Health Service will not be put right until politicians of all parties cease to regard it as untouchable. This is probably beginning to be understood by the Government, to judge by the recent spate of obviously inspired leaks suggesting that "senior ministers" believe that the time has come for a completely fresh look at the financing of the country's health services. Sad to say, the Labour Party has such a deep-rooted commitment to the NHS in its 1945 form, ("our finest creation"), that it may not be ready to think clearly about the matter, while the various bits of the former Alliance parties are so pre-occupied with stitching themselves up that they are in no position to contribute to the present argument.

So, for the time being at least, the Tories have the field of radi*cal reform to themselves. They* may yet shrink from taking advantage of this opportunity: the Prime Minister is uncharacteristically nervous about any radical review of the NHS. Yet there seems to be a growing feeling that now is the time.

The reason why a national debate on the shape of the NHS is suddenly possible is that two ancient – yet fundamental– propositions have started to sink in. The first is that if you provide a service free at the point of supply, then demand is likely to be infinite. The second is that if *governments take on the role of* rationing such a free service, then all the producers - in this case doctors, nurses and health administrators - have a vested interest in demonstrating that not enough is being spent on it. This remains true however much is spent, and whichever party is in power.

A third proposition has now taken its place alongside the first two. It is that at various times government rationing may be far too severe, even when judged by a general notion of what a minimum basic standard of health care should be. In short, this time around the doctors and nurses may have a point. Let us say that the Government has provided enough extra funding to meet this need – as it was attempting to do yesterday. Any new money is a welcome immediate relief, but that is all. Sooner or later the two ancient propositions will re-assert themselves. The producers will then be back for more.

The only way out is to change the rules. Perhaps the service should not be free at the point of supply. Pharmaceuticals are currently paid for, except when the patient is a child, or very old, or living on social security. Could the same principle be applied to visits to general practitioners, or even to hospital stays? Perhaps the Government should not do the rationing: the reason why Britain spends a lower proportion of its gross national product on health care than most comparable countries is that the Treasury controls the amount. In an insurance-based service the Government could be removed from the process, whether it was private insurance or a genuine national insurance scheme.

Three basic concerns have pre*vented all post-war British gov*ernments from suggesting any such thing. The first is that the well-off might buy themselves quicker or more comfortable treatment than the poor. The answer to that is that they already do, and always will. Even if there were no private insurance in Britain the rich could go abroad for the kind of non-acute service they presently buy (while relying on the NHS for much else).

The second concern is that doctors in general and consultants in particular *might* become as financially rapacious as their foreign counterparts. The Americans are learning to deal with that. One method is to flood the market with medical practitioners, but there are others.

The third concern is the most vital. It is that without the NHS the poor would not get the medical treatment they need. The unemployed might not be insured; the old might be under-insured. No new system that failed to provide a decent standard of service for everyone, regardless of ability to pay, would be acceptable. Yet the NHS is not the only way of ensuring an equitable service. It is not even the best way. The time has come to find a way of replacing it with something better.

This will best succeed if we all go back to just before Bevan, and start thinking again.

Letters to the Editor

Runway on the Spanish side

From Mr John Crookshank.

Sir, Your leader of December 10 ("The Gibraltar Triangle") is very clear about the position over the Gibraltar airport, but I believe that a far sighted and positive act which would bring significant long term benefits for Spain and for Gibraltar, and which would immediately *restore much needed confidence* at Gibraltar, would be for Spain to build a runway parallel to the existing Gibraltar runway, but on the Spanish side of the existing border, plus the necessary infrastructure.

Anyway, the extra runway will be necessary as traffic on this route builds up in the years ahead. Political problems about exactly how passengers move through customs will be avoided with more space, and with both the Spanish and the Gibraltar customs operating on their own territories.

The *original airfield at Gibraltar* was built on the old racecourse on the Gibraltar half of the "Neutral Ground" as defined in the *various* treaties between Spain and Britain. The Spanish half of this "Neutral Ground" was for years a derelict wasteland dotted by gun emplacements built in 1940-41 by the Germans. It would be simple to move the car and lorry parking areas and the Spanish customs currently on this space, northwards, to make way for a second runway.

Perhaps the airport could be called *Gibraltar/La Linea (a la* Dallas/Forth Worth). It would provide a modern facility for travellers without infringing Britain's sovereignty over Gibraltar or the pride of the people of Gibraltar.

The clear impression on the Rock at this time is that Britain has sold Gibraltar down the river for the sake of larger and more important European issues, but I *believe that if Spain made the* commitment outlined in this letter, the stage would be set for real political and economic co operation in this corner of Europe, to the benefit of all.

John Crookshank,
Ivy House,
North Street,
Westbourne,
Emsworth, Hampshire

There had been no heavy selling

From Mr Alastair Morton.

Sir, On Friday December 11 Richard Tomkins informed readers, in a prominent position on the back page, adjacent to the Lex Column, that an estimated 9 per cent of Eurotunnel's share capital changed hands on the first day of trading. He said that this suggested a price collapse due to "heavy sale by underwriters and shareholders." He talked of rumoured heavy Japanese sales of the stock. Almost equally *prominently,* your well-known stock exchange market report talked of "40m shares changing *hands out of the 220m share* issue."

In the course of December 11, I informed the Financial Times that 2.7m shares, not 20m shares, had changed hands according to the Stock Exchange; that is, 0.8 per cent of the company's total shares in issue. There had been no heavy selling.

Your report of these figures was an inconspicuous item on *page nine of your issue of Saturday* December 12. It should have had the same prominence as the original item.

I make a particular issue of this because the Eurotunnel issue attracted over *300,000 individual* shareholders, enabling this great project to be launched. Of the underwriters left holding a minor part of the stock, only a minority appear to be sellers; certainly at present price levels. There is a duty here to avoid providing so many new individual shareholders with false information.

Alastair Morton,
Co-Chairman, The Channel Tunnel Group,
Portland House,
Stag Place, SW1

The public is suspicious

From Mr O.H.A. Dowding.

Sir, The Minister for Economic Affairs at the US Embassy implied (Letters, December 7) that the EC should allow entry of US meat into European mar*kets, despite the fact* that the US farmers use artificial growth promoters which are outlawed in the EC.

He is quite correct to state that there may be no scientific evidence to prove that these synthetic stimulants remain in the meat in quantities likely to be *harmful to human consumers.* However, the procedures required to make the test results conclusive and beyond doubt are extremely demanding. Thus there is technically inconclusive evidence against these drugs. So why does the EC ban the use of these artificial stimulants in meat production?

There is a general rule in business that if you want to sell a product, the customer has to want to buy it. With growth hormone implants, the public is concerned and suspicious about their side effects on human *health, regardless of scientific* evidence that should have allayed their fears. Resistance to the product was growing rapidly. The only way open to the EC to try to stop this rot was by banning the use of synthetic growth hormones in beef production.

However, it is impossible to test a carcass to ascertain whether it contains any residues of an implant. Thus it is impossible to be sure that meat from the US does not contain hormone residue, as its use is still allowed and widely practised.

Our producers have withstood *considerable extra cost* in meeting this new restriction, and are striving to reach a new level of excellence for our product. As I am sure every fair minded person would agree, it would be most improper to allow imported meat of unknown standards into our marketplace, jeopardising a large effort by many to secure higher standards for the good of all.

O.H.A. Dowding,
Hill Farmhouse,
Shepton Montague,
Wincanton, Somerset

The Spaniards only want the airport for political reasons

From Mr Richard Felipes.

Sir, In the light of your editorial "The Gibraltar Triangle" December 10, I have to agree that perhaps Gibraltar has managed to attract an amount of attention wholly disproportionate to its real importance to the UK's national interest.

I could not, however, bypass this article without thinking that, once again, there is a lack of knowledge in the UK of the real problem underlying our dealings with Spain.

Gibraltar wants to progress in its relations with Spain without underlying threats on the sovereignty issue. Only three years *ago we emerged from* yet another siege in our history, and what we have seen since the end of 1984 has only been a restoration of normal and humane communication links with the Spanish *mainland.*

Even on this issue we have experienced unprecedented delays and queues at the frontier, orchestrated by the Spanish authorities. Since 1984 the sovereignty issue has been brought up repeatedly by the Spanish socialist government. Now they have decided to use the airport, through the EC, as their best foothold, stating quite categorically that Gibraltar would remain outside the liberalisation of air fares in Europe unless agreement is reached on joint use of the airport.

As you say yourself, the Spaniards only want the airport for political reasons. Perhaps I should point out that Gibraltar is a full member of the EC under the Treaty of Rome, article 227 (4), and our inclusion in the deal should be "de facto" of this membership clause.

Yes, the choice has been left to the Gibraltarians. We either take the *carrot,* with its prosperity and economic promises, or we remain outside in isolation. If the latter choice is made, can one imagine how democratic Spain would treat our frontier *situation and other* normal communication links?

The people of Britain know that a democracy cannot grow overnight, and that a previous dictatorship mentality takes time to disappear. *Only the Gibraltarians* know the Spaniards as well as others would like to. Spain did not show commendable patience in its dealings over Gibraltar *prior to the European air fares* issue. We have never seen any signs of encouragement from our neighbours except constant threatening behaviour, which indeed applies to their foreign politics as a whole.

If one looks back over nearly 300 years, Gibraltarians can be seen - and indeed always have been seen - as reasonable citizens with no desire to lose their identity. Since "normal" communications were restored by neighbouring Spain, we have been prospering rapidly, as indeed the immediate region of Andalucia has too. We would like to see further progress made for the benefit of both parties as we go forth and explore other possible joint developments.

It is quite clear that if the Gibraltar airport opened up internationally, Gibraltar would benefit considerably. Unfortunately we have had the question of concessions thrust upon us, and it is reported from a number of informed sources that the agreement has a much wider significance which could go beyond the airport issue itself. The Brus*sels agreement is not progressing* smoothly, and yet we should grow together in stages of mutual co-operation and trust - which is, after all, the only way forward. Gibraltar cannot be compared with Hong Kong; we are not subject to a lease life. "Small and far flung populations" like Gibraltar (I quote your leader) do not make huge demands on Britain; less so on the UK tax payer. It is important to analyse the considerable savings that Britain makes by having an historically faithful, well serving port at the gateway to the Mediterranean.

I am sure it is perfectly normal and understandable, to all your readers, that Gibraltar would like to co-operate with Spain on a good many issues which can only benefit us. This, however, cannot be done under threat, and there is no price for our sovereignty.

Richard Felipes,
58 Governor Street,
Gibraltar

FINANCIAL TIMES

Thursday December 17 1987

Todd Shields reports that the peasants are back on the long march in search of food

Rebels disrupt Ethiopian lifeline

THE spectacular but barren highlands of northern Ethiopia are busy with movement on a scale seen only too recently. Despite the efforts to beat the famine of 1985-86, hundreds of thousands of peasants, their harvest a failure, have resumed their long marches for food.

The great cargo aircraft are back too, kicking up long plumes of dust from the gravel airstrip at nearby Mekelle, as they bring grain to the feeding station at this town and for other centres in central Tigray. The supply line is stretched tight and in danger of breaking.

Neither aircraft nor marches should be needed to feed the 2m-3m people threatened with starvation in Tigray and neighbouring Eritrea since the July and August rains failed. However, in the last three to four months rebels in both provinces have escalated their long-running war with the Government and made some roads impassable for grain convoys. The relief effort, already short of trucks, has been forced to resort to expensive airlifts and has no means to carry food to remote villages.

The problem is especially acute in central Tigray which, according to Mr David Morton, the country's director for the United Nation's World Food Programme, is "feeding hand to mouth."

The supply road into the region, which runs some 300km south from warehouses in Asmara, is open up to 13 days a month and the average one-way trip takes up to five days.

But even that erratic schedule is frequently disrupted, notably by an attack on October 23 by the Eritrean People's Liberation Front that destroyed 23 trucks in a supply convoy. There have been no such attacks since, but the tenuous security of the road means most of central Tigray's grain is now shipped from Asmara by C-130 Hercules and three Soviet Antonov transport aircraft. Three Hercules backed by Western funds are operating now, with a fourth to join the effort at mid-month.

The seven aircraft can carry up to 13,000 tons a month – more than the Mekelle region's requirement of about 8,500 tons a month. The surplus will build up stocks depleted while the relief effort relied on uncertain road shipments and awaited the late-November advent of the airlift.

In the meantime the region's subsistence farmers have been pushed closer to starvation. Mr Hailu Taka and his family of seven walked four hours to reach the Wukro feeding station, where about 6,000 people receive grain each day. On a small plain surrounded by hills, a half-dozen stacks of 50 kilogramme grain bags sat in a long row, with a distribution worker standing atop each pile. Peasant families massed on the far side of the piles, as groups of 10 to 15 were called forward to receive their ration.

Mr Hailu sat with his ration, waiting in the fading evening sun to begin the trip back home. He said his family last ate the day before and that he had sold his four oxen and 20 sheep to buy food. Animal prices had dropped as food became more scarce, he said.

Mass starvation has been avoided so far. Relief workers say malnutrition levels are about normal for this time of year, and the families streaming into the distribution centres are animated.

But officials in Addis Ababa warn of severe supply problems ahead, as food runs out in areas with less disastrous harvests. Eritrea suffered 100 per cent crop failure and in Tigray 80 to 100 per cent of the harvest was lost over most of the province.

The Government estimates that 1.05m tonnes of food are needed next year to feed 5.2m people at risk in Eritrea, Tigray and other provinces – a figure most donors consider conservative – yet even the government estimate calls for distribution of more than 80,000 tonnes of food each month. It is a tall order: that level was only reached during two months of the last massive relief effort which delivered 1.5m tonnes of food in two years of concerted effort.

Ethiopia's primitive infrastructure is one problem – another is interruptions in the flow of supplies. Relief officials say they now have enough food pledged – 272,000 tons – to last until the end of April.

It takes about five months for food to arrive after being pledged, so more pledges must be made within weeks to avoid a break in supplies in late April or early May.

Should such a break occur, relief officials fear, peasants would walk to the distribution centres, find no food there and stay to await deliveries. That would recreate the massive camps of the 1984-85 famine, where communicable diseases raged, killing almost as many as did starvation.

"It's right on the edge," said Mr Frederick Machmer, the head of Ethiopian operations for the US Agency for International Development, the relief arm of the US Government. "Things have to go very smoothly every day and every week to keep things from sliding."

Gary Hart: enigmatic

Underdog Hart sets 3-month deadline

By Lionel Barber in Washington

MR GARY HART, the born-again Democratic presidential candidate, returned to the campaign trail yesterday in the underdog role that suits him best and makes him an unpredictable opponent still to be reckoned with.

Acknowledging his lack of money, staff and the other trappings of a modern presidential campaign, Mr Hart said he would give himself two to three months to make an impact on the Democratic Party's field of candidates.

Mr Hart said his "baseline" was to have some influence on his party's platform going into the 1988 election.

Guarded comments by the six other Democratic candidates after a round-table debate in Texas seemed to underline their fear that the former Colorado Senator and 1984 presidential candidate could sow confusion in an already fragmented field where no clear front-runner has emerged.

Mr Hart's re-entry into the campaign, seven months after press revelations of a sex scandal forced him out of the race, seems spurred by a mixture of pride and a pyschological need for vindication at the hands of voters.

Rumours of a Hart comeback have persisted over the past seven months. He felt cheated, robbed of the nomination by an intrusive press.

Indeed, he still denies that there is a character issue and insists that his extra-marital frolics can be seperated from the merits of his candidacy and his electoral platform of military reform, "enlighted engagement" and what he calls strategic investment economics.

As he made clear on Tuesday when he put his name on the ballot for the New Hampshire primary next February, Mr Hart has calculated that the press might be reluctant to publish more revelations about his private life, for fear of a public backlash.

Yesterday, he scored his first victory: the Washington Post which has documented evidence of a long-standing affair involving Mr Hart and another woman, said it would continue to withhold her name.

Aside from the character issue, Mr Hart faces a mountain of bureaucracy to get his name on the ballot in the key early primary states.

By January 15, he must meet deadlines in 15 states which together account for 1,245 delegates or almost a third of the votes at the Democratic convention next July in Atlanta which will pick the presidential nominee.

However, in eight of these states, his task could be simple if he can convince state officials that he is a nationally recognised candidate.

That his name is well known should help; if he fails, he will need thousands of support signatures to get on the ballot which would obviously require a campaign organisation.

A second issue is whether he can persuade the Federal Election Commission that he qualifies for matching funds.

At stake is at least $1m, the amount the Hart campaign had raised when he quit last May. Several FEC officials have said privately they rate his chances as good.

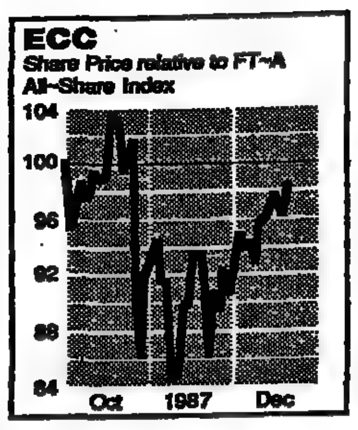
In the final count, this enigmatic politician must prove he can break all the accepted wisdoms of previous presidential campaigns.

The next two to three months, including the New Hampshire primary, will tell whether "Gary the guerrilla" can survive or fall in ignominy.

THE LEX COLUMN

Laying in more provisions

The last account before Christmas is turning out splendidly for the London market, with even the economic numbers coming out right. The £1.6bn PSBR surplus announced yesterday was at the top end of the range, and ought to help not only gilts but also equities through the increased likelihood of tax cuts. Meanwhile, the chess game in the oil sector continues; no word yet on Britoil, but further complications for BP with the evidence that the Kuwaitis are not, after all, restricting their ambitions to under 15 per cent.



Third World debt

Bank of Boston and Mellon Bank may not be major US money centre banks, but their decision to increase their reserves against Third World loans to 63 per cent and 40 per cent respectively looks like the beginning of a new phase in the response of international banks to the debt crisis. It is likely to cause substantial ripples well beyond Boston and Pittsburgh.

Whereas Citicorp's $3bn provision last May set a standard which other banks, including the UK clearers, felt they had to match, the situation has now moved on. The initial rule of thumb, that the establishment of reserves equivalent to between a fifth and a third of a bank's Third World exposure was sufficient to reflect the decline in the value of the loan portfolio, no longer holds good. The action of the Bank of Boston and Mellon indicates that banks are beginning to go their own way when it comes to fixing their Third World debt provisions and are no longer prepared to take their cue from industry leaders like Citicorp.

There is a growing feeling that the first round of Third World debt provisioning six months ago was not sufficient and, with Latin American loans selling as low as 40 cents on the dollar, a second round of provisioning against Third World debt seems inevitable. Continental banks, like Deutsche Bank, have already shown the way, and the pressure is on the major US and UK banks, in particular, to revalue their Third World loan portfolios to more realistic levels. Several US money centre banks, though, would find it impossible to lift their reserves to say 40 per cent of their Third World exposure without raising substantial new capital. IBCA Banking Analysis calculates that Chase Manhattan's equity to assets ratio would be almost halved to 1.6 per cent if it provided for 40 per cent of its $8.7bn exposure. The level of provisioning will increasingly reflect what banks can afford rather than what they feel is appropriate.

For UK banks, the financial pressures are a little less intense. Nevertheless, if NatWest were to substantially boost its provisions it would put considerable pressure on Lloyds Bank and Standard Chartered. Doubtless, this has not escaped the attention of the Bank of England.

Seagram/Martell

The latest re-shuffling of the international liquor pack may cause some disappointment at Grand Metropolitan. Having apparently been outbid for control of Martell by Seagram it faces the prospect of losing its Far Eastern toehold. While the 20 per cent stake in Martell may not in itself have been part of GrandMet's core strategy, the joint marketing agreement in the East will be hard to duplicate.

However, all is not lost. Despite its free market rhetoric the French Government may be loth to see control of another cognac slipping out of the country. And even if the deal is waved through, GrandMet has the compensation of a £20m dealing profit on its Martell stake. More interestingly, GrandMet's subdued optimism about holding on to the joint marketing agreement is less daft than it seems, given the possibly huge cost to Seagram of buying it out. Also, despite the fashion for full control of distribution, collaboration with a rival is not completely unknown in the liquor business and Seagram may be glad of the protection. If, however, GrandMet is left as the only one of the big four international drinks groups without at least some link with a major cognac, it may have to consider knocking on the door of Remy-Martin.

English China Clays

English China Clays has particular reason these days for keeping an eye on the US economy. The weak dollar is putting pressure on its clay business in Europe, both through cheap US imports and because European paper-makers are finding it increasingly hard to maintain their inroads into the US market. The reverse threat of paper imports from the US, though, is not materialising, since the remarkable strength of the US market means that US paper-makers are working flat out to satisfy domestic demand. Indeed, the clay division's disappointing contribution to ECC's full year figures yesterday – second half profits were virtually flat – was partly due to the fact that the business was running expensively above capacity.

Although there is a risk that the clay industry's present worldwide expansion of capacity might coincide with the next cyclical downturn in the paper industry, ECC seems right to be confident about the outlook on a five year view. Indeed, the feeling about the shares is similarly one of sound, if slightly dull, long-term prospects. If profits this year rise by, say, £20m from the £112m reported yesterday, the shares at 391p are on a multiple of 10 and a prospective yield of perhaps 5.5 per cent. The main short-term worry is that the company might have another crack at taking over Bryant at the end of January, either gearing itself heavily or using paper in the process.

MK Electric

Legrand will have to want MK Electric very badly indeed to top RTZ's offer of £7 a share. But given the history of this bid anything seems possible, and the market was last night taking a small gamble on a higher offer. The MK Electric management has played a classically opportunistic game, eating at least some of its earlier words on the merits of a tie-up with RTZ, and producing a kitchen-sink profit forecast which will presumably never be tested in public. But the bid auction has successfully maximised returns to shareholders, and if RTZ does win, the management should be secure enough too. The cosiness of the deal could be Legrand's point of attack if it returns, and with the gearing the French company would have to assume, some rationalisation would be inevitable. RTZ is paying a hefty exit p/e of 16, but it could on the other hand be starting a vogue for electrical companies of this kind.

ECONOMISTS CALL FOR POLICY ACTION BY DEFICIT AND SURPLUS NATIONS

'Time running out' for the dollar

BY ANTHONY HARRIS IN WASHINGTON

THE DOLLAR is now closely approaching the level that would be required to allow a smooth adjustment of world imbalances, but only if suitable policies are adopted immediately by the main deficit and surplus countries, according to a report by leading international economists published yesterday.

The report was prepared by 33 economists from 13 countries and released simultaneously by the Washington-based Institute for International Economics and co-operating research insitutions in eight major centres including London, Kiel and Tokyo.

The economists give a warning that if policies are not changed in the near future, market pressures will devalue the dollar further, with the risk of an adjustment crisis leading to a world depression.

"The central message of this report is that the world does not have a further year in hand to wait for the US election," said Mr Stephen Marris, one of the report's authors and for many years economic adviser to the head of the Organisation for Economic Co-operation and Development, at a briefing in Washington.

The report's signatories include senior officials or recent Cabinet members from Japan, Korea, Mexico and Brazil, as well as the recently-retired head of the US Congressional Budget Office, the heads of two of the main independent policy units in West Germany, and some of their opposite numbers from France, Italy and Taiwan. The remainder are well-known bank economists and academics.

The main recommendations of the report are very much on the lines of the policies outlined in the Louvre accord in February between the Group of Seven leading industrial nations on economic policy co-ordination and currency stabilisation. But it goes further in three important respects:

- It puts figures to the adjustments required, and has an agreed estimate of the dollar adjustment still required – a trade-weighted index average of not less than 90, compared with its current value of about 97, which might imply a rate of Y115 to Y120 and DM140 to DM150.
- It spells out the contribution which should be made by the Asian developing countries, with the agreement of the representatives of those countries, which are not parties to the Louvre accords.
- It emphasises that reconstruction of Latin American and other developing country debt would greatly reduce the problems of adjustment in the developed countries.

While the report calls for a further US policy initiative, and describes the Budget deficit reduction accord now before Congress as "grossly inadequate", it also says that the deficit reductions implied by the Gramm-Rudman automatic budget cut law would be roughly of the scale required to reduce the US current account deficit to sustainable size within five years.

Japan is seen as on track for the required adjustments, but West German policy is strongly criticised. Apart from the fiscal stimulus now widely seen as necessary, the report points put that the present German current account surplus is mainly at the expense of its European trade partners, and calls for a revaluation of the D-mark within the European Monetary System.

The Asian developing countries are urged above all to open their markets to imports, and to foster domestic investment in social infrastructure and the environment. Debt relief for other developing countries, it is pointed out, would enable them to finance needed imports of capital equipment.

Emphasising the dangers of delay, the report doubts that the US deficit can be financed without disruption, unless the markets are offered a clear programme for eliminating it.

On the positive side the report points out that the policies required are those which the countries involved ought to pursue in their own narrow interests.

- Simon Holberton adds: Sentiment towards the dollar remained bearish yesterday as it continued to trade quietly and in a very narrow range against major currencies.

Currency traders and analysts expect the US currency to come under renewed selling pressure in the new year if there are no new developments on the international economic scene to lend it support.

The dollar closed little changed yesterday at DM1.6305 against DM1.6310 on Tuesday and at Y127.3 compared with Y127.55 previously.

Post-crash complacency; Japan takes soft line, Page 4; Editorial Comment, Page 16; Currencies, Page 30

EC claims victory in aid cuts

Continued from Page 1

oped regional development programme that takes into account federal and Laender priorities."

Under yesterday's agreement, Bonn will cut the top rates of assistance for both federal and state aid schemes. The 38 per cent of the populace covered by regional aid will include 5.2 per cent under Laender funded schemes, with the balance met by federally funded projects.

The top permitted rate for joint Federal-Laender projects will fall from 25 per cent of the cost to 23 per cent, with the rate for supplementary investments falling more sharply, from 25 per cent to 20 per cent.

New investments in "major development centres," such as the redundancy-hit Ruhr steel basin, will only be allowed 18 per cent state aid, against 20 per cent, with supplementary schemes falling from 20 per cent to 15 per cent.

The amount of aid-allowed investments solely backed by the Laender governments will fall from 15 per cent to 8 per cent and will have to be approved individually by Brussels.

Mafia men get life jail terms

BY JOHN WYLES IN ROME

JUDGES IN Palermo, Sicily, last night handed down 19 life sentences and more than 3,000 years of imprisonment for most of the 450 people accused of Mafia crimes at the conclusion of the historic "maxi-trial" which began 22 months ago.

The verdicts and sentences amount to the heaviest single blow ever delivered by the Italian state against the "Cosa Nostra."

Mr Michele Greco headed the list of life imprisonments. He was the so-called "boss of bosses" who headed the Sicilian organisation and master-minded its multi-billion dollar drug trade and some of its bloodiest murders.

The prosecution's case depended heavily on the so-called "pentiti" – mafiosi who turned state's evidence.

The most important, Mr Tommaso Buscetta, was sentenced to three and a half years imprisonment, while a second, Mr Salvatore Contorno, was given six years, and a third, Mr Vincenso Sinagra, received 22 years.

The judges, including two men and four women lay members, have been considering their verdicts since November 11.

Many of the accused sat behind the specially-constructed bullet-proof glass cages in the semi-circular court room. Since the trial started there have been 345 hearings lasting 1,820 hours. Some 321,000 pages of evidence have been taken.

No one believes that the trial has humbled the Mafia. New leaders have emerged to replace those under lock and key and these are continuing the drug trade which is said to yield $10bn a year.

Experts say that a growing volume of this money is now finding its way into "legitimate" Mafia businesses which are, however, run according to historic methods. Among other things, these tend to stifle competition by intimidation and murder.

A positive outcome of the trial is a marked fall in the Palermo murder rate, from around 300 a year to 80 in 1986.

Internecine warfare is taking its toll, however. This week the cousin of the wife of Mr Mario Cuomo, the Governor of New York, was shot dead in a feud which reportedly centred on whether the more traditional Mafia of western Sicily should dig deeper into the drugs trade which has made its counterpart on the eastern side of the island so prosperous.

Tokyo SE offer to 16 foreign firms

Continued from Page 1

operating in Japan for only a short time.

Mr Takeuchi said the new members would be required to begin trading by the end of next year. They would not be allowed to sell their memberships for three years.

Among the foreign firms offered Tokyo exchange memberships were six US firms: Prudential Bache, Smith Barney, Salomon Brothers, Kidder Peabody, First Boston and Shearson Lenman. There were also two French firms - Sogen Securities and W.I Carr; two Swiss - affiliates of Swiss Bank Corporation and Union Bank of Switzerland; and two West German - affiliates of Deutsche Bank and Dresdner Bank.

World Weather

Israel puts on show of force

Continued from Page 1

diers have also been injured in the clashes. Independent counts put Palestinian fatalities at 14, following the death overnight of a seriously injured woman in Gaza.

In yesterday's troubles, one soldier was stabbed in the neck and lightly injured in Rafiah, on the Egyptian border. In the returning fire from the patrol, three youths were hurt, one of whom was reported to have been paralysed by the gun shots.

Scattered disturbances and protests also erupted in mainly Arab East Jerusalem and in isolated parts of the West Bank. But troops were quick on the scene with tear gas and occasional bursts of warning shots to stamp out each action.

By coincidence, three of Israel's top leaders are abroad on official visits, facing a highly uncomfortable barrage of public protests and private questioning over the Government's handling of the disturbances. Mr Rabin in Washington, Foreign Minister Shimon Peres in Brasilia and Montevideo and President Chaim Herzog in London must all have been dismayed to find their long-planned trips overshadowed by the shootings.

In southern Lebanon, following Tuesday's scare over reports that a major Israeli military operation was underway, shelling of villages in the southern Bekaa by Israeli artillery units was said to have taken place.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday December 17 1987

MK Electric supports higher offer from RTZ

BY DAVID WALLER IN LONDON

MK ELECTRIC, the UK electrical accessories company which has turned down two competing takeover bids in the last three weeks, yesterday abandoned hopes of remaining independent and recommended an increased cash offer from RTZ, valuing the doorbell and plug manufacturer at £262.8m ($437m).

This is substantially more than the mining and industrial conglomerate's first offer of £206.5m, which was spurned by MK late last month. It also eclipses the £255m value of the later unwelcome bid from Legrand, the French electricals company.

Analysts have not ruled out an even higher counter-offer from Legrand, which is eager to expand its activities in the UK. Although the French company made no move yesterday – saying only that it was reviewing its position – MK's share price closed at 706p, 6p above RTZ's 700p a share offer and 46p above Legrand's offer.

The decision to recommend the latest offer came after a full day of talks between RTZ and MK on Tuesday. Mr Roger Leverton, MK's chief executive, said that he was now convinced of the industrial logic of a link between his company and Pillar, RTZ's industrial subsidiary – a volte face from his original contention that there was no synergy whatsoever.

"They were able to demonstrate to us how MK would become a new core business within Pillar," he said. "This is infinitely preferable to the set-up if we had gone to Legrand, where, as the UK subsidiary of a French company, we would have been frustrated in our aim to thrust into Europe."

The price – a 69 per cent premium to MK's share price on the day before RTZ's first bid of 550p per share – had also influenced the decision to recommend the latest offer. "Last time we spoke their offer was so derisory that we didn't get beyond the most general matters."

For its part, RTZ said the discussions had vindicated its earlier confidence in the commercial opportunities to be created by the match.

The extra price was fully justified, said Mr Derek Birkin, RTZ's chief executive – especially in the light of MK's forecast of pretax profits of £25m for the current year, made yesterday along with the recommendation.

The forecast compares with analysts' forecasts of around £22.5m and brings the exit multiple down to 16.4 times forecast earnings per share. It also means that the acquisition would not dilute RTZ's earnings in the present year.

Analysts yesterday credited MK's management with doing an excellent job for the company's shareholders in winning such generous terms – if only by default.

"MK would have recommended a lower offer from Siemens, their preferred suitor," said one broker. But the West German electricals company withdrew from the fray.

RTZ yesterday bought 1m shares in MK at 700p, adding to the 21.7 per cent holding bought at 550p per share and taking its total stake to 24.55 per cent. Legrand has more than 8½ per cent of MK.

Icahn demands caution on Texaco

By James Buchan in New York

MR CARL ICAHN, the US takeover specialist who has played a leading role in prodding Texaco and Pennzoil towards settling their long-running dispute, has turned on several large Texaco shareholders and demanded that they moderate their demands on the crippled and bankrupt oil company.

In an imperious letter published on Tuesday, Mr Icahn told shareholders' representatives that they must stop demanding a large minority on Texaco's board. Mr Icahn, who controls 12.3 per cent of Texaco, threatened to leave the common front of shareholders and creditors attempting to force a $5bn settlement on Texaco.

"This is not the time for Texaco to find itself with a divided board," Mr Icahn said in the letter.

As chief stockholder, Mr Icahn is crucial to the success of the $5bn plan, which was agreed between committees of creditors and stockholders late on Monday night. The plan, which is supposed to pay $3.01bn in cash to Pennzoil, and settle about $2bn in debt arrears in full, must be approved by two-thirds of Texaco's stockholders, according to a ruling of the bankruptcy court.

Mr Icahn apparently feels that the shopping lists of demands made by the committees on Monday could jeopardise the plan, leaving Texaco languishing in bankruptcy.

The stockholders' committee demanded the right to add 12 directors to the 14-man board and a lifting of restrictions against takeover. Creditors are insisting that Texaco take on no new borrowing but finance the settlement through the sale of assets, including its Canadian subsidiary.

Texaco was found guilty in the Texas courts of interfering with a Pennzoil contract to buy part of Getty Oil.

Eastern considers assets sale to resolve problems

BY RODERICK ORAM IN NEW YORK

EASTERN AIRLINES, the struggling subsidiary of Texas Air, the largest US airline holding company, is weighing up the sale of assets such as its northeastern US shuttle or South American routes to help solve its growing financial and labour problems, senior executives have confirmed.

If it fails to turn itself around, it seems probable that Texas Air will take drastic action with the Miami-based carrier such as transferring more assets to Continental, its other major operating unit, or forcing a merger between them. Texas Air took over Eastern a year ago.

The threat of a break-up of Eastern is being used by the airline's management in wage-cutting talks with its pilots and machinists. Non-union Continental, which has some of the lowest labour costs among US carriers, is being used as a benchmark although it reported a loss for the third quarter.

Texas Air, a heavily debt-laden conglomerate pieced together by Mr Frank Lorenzo in a series of aggressive takeovers, has already taken over Eastern's reservation system and transferred some routes and six Airbus A-300 aircraft, some of Eastern's newest and most efficient, to Continental.

Frank Lorenzo: Pieced together Texas Air

The two subsidiaries, which have a US market share of more than 20 per cent, have a total of about 620 jet aircraft making the group the largest carrier in the free world. Last week, Eastern's 4,000 pilots said they would strike if more assets were taken over by Continental.

In addition, several Eastern employees' trusts holding shares swapped for wage concessions in recent years said they had the legal power to block any further transfers.

Eastern paved the way for the sale or transfer of the Boston-New York-Washington shuttle service a month ago by setting it up as an autonomous with its own fleet of aircraft, management and budget.

It took other actions at the time such as cutting 9 per cent of its 38,000 workforce and 10 per cent of its seat-miles in response to a $72.8m third-quarter loss. Mr Joseph Leonard, Eastern's chief operating officer, said earlier this week that the fourth quarter's performance would be no better.

Lower wages are identified by the management as one of the keys to its financial survival. According to Airline Economics, an industry consultant, Eastern's labour costs accounted for 39.4 per cent of its total costs at the end of last year compared with an industry average of 36.9 per cent and Continental 24.5 per cent.

Phillips Petroleum to cut workforce

By James Buchan in New York

PHILLIPS PETROLEUM, the Oklahoma group which is the most heavily indebted of the major US oil companies, announced yesterday a cost-cutting package of measures which would include shedding jobs.

The group plans to cut costs by $150m-200m a year in the face of continued weakness in its oil and gas markets.

Phillips took on some $7bn in debt to repel two hostile takeovers in 1984 and 1985.

The group said yesterday that it would reduce its 20,000-strong workforce by 7-10 per cent.

The cost would be taken as a $50m charge to earnings in the December quarter.

The company also said it had been forced to postpone a $400m issue of securities because of the weak market for corporate securities since the October crash.

Mr C.J. Silas, chairman, said: "Oil, gas liquids and natural gas prices are lower than expected as we enter the new year and there seems to be little chance of significant improvement in the near future."

The group is extremely vulnerable to falling energy prices because of its leveraged balance sheet.

It could earn only $31m in the September quarter, on revenues of $2.8bn.

Mr Silas said: "Our earnings haven't been high enough to support our business needs and generate the return we expect."

Over the 1984-85 winter, Phillips rebuffed takeover attempts from Mr T. Boone Pickens and Mr Carl Icahn. It was, however, forced to recapitalise.

● KN Energy, the Colorado-based gas group, said its board would review at a special board meeting the "unsolicited proposal" from Mr Pickens' Mesa Limited Partnership for a merger at $18 a share.

NCR forecasts record earnings

By Our Financial Staff

NCR, the US manufacturer of computers and business machines, expects to report record earnings and sales in 1988.

Mr Charles Exley, chairman, said: "Our plans and expectations call for double digit revenue growth in a constant currency environment and earnings growth that will outpace revenue growth."

In 1986, NCR reported a 9 per cent gain in earnings to $336.5m, or $3.42 a share, on sales that rose 13 per cent to $4.88bn.

For the first nine months of 1987, NCR earned $257.9m, or $2.74 a share, on sales of $3.82bn.

That compares with a profit of $202.5m, or $2.05 a share, on sales of $3.31bn.

Strong domestic demand helps C Itoh lift profits

BY OUR FINANCIAL STAFF

CONSOLIDATED net earnings for C. Itoh, the major Japanese trading house, rose 30.2 per cent in the first half year, ended September, to Y11.015bn or Y9.68 a share, from Y8.463bn or Y8.06 a share a year earlier.

Revenues were Y7,783bn, up 9.4 per cent from Y7,114bn last year. The advance in profits eclipsed the 7.2 per cent rise announced by Mitsubishi Corporation, the largest trading company, earlier in the week. Mitshubishi saw first-half earnings climb to Y16.045bn from Y14.968bn a year earlier.

C. Itoh officials traced the growing revenue and earnings to strong domestic demand, which had spurred imports and domestic business transactions.

Revenue from domestic transactions rose 8.3 per cent from a year earlier – to Y4,219bn – while imports brought in Y817.5bn, up 16.2 per cent.

C. Itoh says it is trying to expand imports of processed goods, while shifting away from its previous emphasis on raw materials.

The company is also moving to take advantage of the growing domestic economy, expanding its network of domestic branches and establishing an office for regional development.

Revenue from transactions in overseas markets jumped 36.6 per cent – to Y1,654bn – while export revenue fell 16.3 per cent from a year earlier – to Y1,092bn.

Dome Petroleum lenders back revised Amoco offer of $4.1bn

BY OUR FINANCIAL STAFF

DOME PETROLEUM, the struggling Canadian energy group, said it had received more than 75 per cent approval in principle from its secured lenders for the revised offer of US$4.1bn in cash and securities by Amoco Canada Petroleum, a unit of the US oil major.

Mr Howard Macdonald, chairman of Dome, said the amended offer should be completed mid-1988.

He said there were no major impediments to Canadian regulatory approval of the amended purchase plan.

Under the revised agreement, 75 per cent of secured lenders must approve of the plan by January 31, 1988.

Last month Dome's board approved a revised plan by Amoco, which raised Amoco's offer from $3.87bn.

Mr Macdonald said prospects were very good for the completion of conditions relating to the offer by the June 30, 1988 deadline.

Merging with Amoco would be "better than all the risks of going it alone."

Separately, Chicago-based Amoco said its board approved a 1988 capital and exploration budget of $3.8bn, a 17 per cent increase over 1987's $3.3bn.

The company said the budget increase would be spread throughout its subsidiaries.

The budget covered only Amoco's normal, ongoing operations and did not include the proposed acquisition of Dome.

Amoco said its ability to carry out its 1988 spending plans would depend on a number of factors, including price levels for crude oil.

Paris forms inter-dealer broker for bond market

By George Graham in Paris

FRANCE'S primary dealers in Treasury bonds and bills have set up a jointly owned inter-dealer broker (IDB) to improve market liquidity and allow increased trading between market-makers.

Prominnofi, originally set up by six of the largest official primary dealers nominated by the French Treasury a year ago, is now jointly owned by all 13. Shorcan, the Toronto IDB which supplied the dealing system for Prominnofi, owns 25 per cent.

The new IDB began operations originally in Treasury bills, adding government bonds earlier this month after the French stock exchange had allowed a loophole in its traditional monopoly over all secondary market dealings in shares and bonds.

Several primary dealers had criticised the Paris stock exchange's reluctance to suspend its monopoly for large block trades between primary dealers, which had forced them to increase their paperwork either by registering the trade subsequently through a stockbroker or by using offshore subsidiaries.

Further difficulties were caused by the stock exchange rule that deals could only be carried out at prices within 0.5 per cent of the range in the official market, which is open only between 10am and 3pm.

The creation of Prominnofi allows primary dealers to deal anonymously with each other in blocks of more than FFr10m ($1.8m), at a commission of 1/100 per cent.

Mr Edmond Joffre, chairman of Prominnofi, would not reveal the volume of trading through the IDB screen, but said that every primary dealer, even those who were initially reluctant, has now dealt through the system.

Some traders note, however, that Paris market-makers are still getting used to the IDB system and tend to post their best prices on their pages on the Reuter screen system.

Some of the IDBs active in the UK gilts market have been examining the possibility of entering the French bonds market, and some dealers have handled a number of transactions from London. For the most part, however, the inter-dealer function has been carried out by stockbrokers acting as intermediaries for block trades.

Primary dealers have in some cases felt that stockbrokers, who unlike IDBs may buy and sell bonds on their own account, could not ensure anonymity and transparency for them in these block trades.

DGBank income favourable

BY OUR FINANCIAL STAFF

DEUTSCHE Genossenschaftsbank, the umbrella organisation for West Germany's co-operative banks, expects 1987 results to be satisfactory, thanks to favourable commission and service income. No precise earnings estimates were given.

DG said that total group operating profits, including own-account trading, rose 7.1 per cent in the first 10 months of 1987 when compared with 10/12th of total 1986 profits.

DG's group balance sheet total rose 8.3 per cent in the first nine months to nearly DM121.3bn ($7.49bn). The parent company's balance sheet total rose 12 per cent to DM81.2bn.

Group business volume rose 7.7 per cent to about DM128.5bn in the nine-month period from the end-1986 level.

The group's credit volume rose 5.9 per cent to DM82.4bn at the end of September from end-1986, with the biggest rise coming in long-term book credits and guarantees, the bank said.

DG also said that its agreement to buy a majority stake in Volksfuersorge Deutsche Lebensversicherung, the trade-union owned insurance company, would cost up to DM1.5bn.

The bank was likely to take slightly more than a half share in the insurer, but doubted that its shareholding would would go much above 50 per cent.

Thyssen Stahl dives heavily into loss

By Haig Simonian in Frankfurt

THYSSEN STAHL, Europe's biggest private sector steel producer, plunged heavily into the red in the year to September 1987, with losses of DM223m ($137.6m) compared with after-tax earnings of DM126m last year.

Reporting on a year which he described as "completely unsatisfactory," Mr Heinz Kriwet, chief executive, said group results had been heavily depressed by special provisions for rationalisation, especially in thick plate, wire rod and light sections.

Thyssen Stahl had set aside about DM129m for write-downs during the year, while a further DM62m had been allocated to redundancy costs. The group is also writing down its holding in Ruhrkohle to a remainder value of just DM1, thereby involving a DM55m loss.

Revealing that lower raw materials costs, thanks to the fall in the value of the dollar, had failed to compensate for sharply decreased output and prices for steel products, the group said the average revenue it achieved for its prime products had fallen by 11.2 per cent last year.

The group had swung back into profit in the second half of the business year, despite lower product prices, thanks to rationalisation measures, said Mr Karlheinz Sandhoefer, finance director.

Last month, Thyssen announced plans to merge steel operations near Duisburg with those of its fellow producers, Mannesmann and Krupp.

The rationalisation plan would mean a further small drop in Thyssen's output in the present business year, though Mr Kriwet said he hoped the company would be able to increase its average revenue.

The group said that price factors had accounted for DM1bn of the 16 per cent fall in turnover to DM7.9bn in 1986-87, against DM9.5bn the previous year, while there had been a drop of DM400m on account of lower output.

Porsche top man to retire early

By Our Frankfurt Staff

MR PETER SCHUTZ, the 57-year-old chief executive of Porsche, the West German sports car producer, is to step down prematurely from his job at the end of this year.

The company, which announced the surprise move after a meeting of its supervisory board yesterday, said the decision had been taken "by mutual agreement" and would not comment further.

Porsche sells 60 per cent of its cars in the US, and it has been hit by the Wall Street collapse and this year's sharp rise in the value of the D-Mark against the dollar. Last month the company said that output of some models would be cut and certain workers would go on short-time between next January and July to help bring US stocks into line with demand.

Porsche has been identified as the most vulnerable of Germany's luxury car producers to the higher D-Mark in view of its particularly heavy dependence on US sales and its relatively small size. Moreover, domestic sales fell in the year to July despite the fact that the overall German car market has been strong.

Hence the widespread speculation recently that Porsche might be obliged to pass its dividend this year. Earlier this month, there were even rumours of a possible takeover by Daimler-Benz.

After experience with US companies, Mr Schutz, a genial German-born American, returned to Germany in 1978 to become a board member at Kloeckner-Humboldt-Deutz, the engineering group. He took over the top mangement job at Porsche at the start of 1981.

Mr Schutz is to be succeeded by Mr Heinz Branitzki, aged 63, the deputy chief executive, who has been the board member responsible for finance since 1972 and with the company for more than 20 years.

SGS sees decline and blames dollar weakness

BY JOHN WICKS IN ZURICH

Societe Generale de Surveillance (SGS), the Swiss quality-inspection concern, expects lower profits for 1987.

Both turnover and net profits will be below last year's figures of SFr1.6bn and SFr112.2m ($85.1m) respectively, the company said. This was attributed to the weakness of the dollar.

In June, the company had already indicated that it would be difficult to reach the exceptional levels attained in 1986. It said this would be a year of transition.

Despite the interruption to the record of rising profits - which has been unbroken since 1978 - recent developments point to renewed growth in future.

In August of this year, SGS booked a large inspection contract with the Peruvian Government, which was followed in November by the extension by three years of an important Indonesian contract. In September, the group took over Robins Davies of the UK, which has a fee income of £16m ($29m) a year.

The acquisition of Robins made SGS the world's leading company in the field of loss-adjustment services to the insurance industry.

Baloise continues to show profits growth

BY OUR ZURICH CORRESPONDENT

BALOISE, the Swiss insurance group, reports "continuing favourable development" for the current year. A letter to shareholders foresees increased premium income and good earnings on the part of leading subsidiaries.

Consolidated premium income is seen as rising by about 9 per cent to SFr3.7bn ($2.8bn). This in part reflects the takeover of Levante, the Italian insurer, and the Erpin company in Spain, but even without these acquisitions growth would have been of an estimated 7 per cent.

The most marked rise in premiums received by the main subsidiaries will be that of Baloise Life, with about 10 per cent more.

Five-year Deutsche Bank deal lifted to DM900m

BY CLARE PEARSON

A BOND for **Deutsche Bank** was increased to DM900m yesterday, to become the largest ever fixed rate D-Mark Eurobond, as the sector traded firmly.

The deal was originally launched in early November as a DM500m 5½ per cent five-year bond, priced at par. Yesterday a further DM400m was added to it, though at a new issue price of 101. The new tranche will be distributed to Deutsche Bank branches at a discount.

The original bond lost ¼ point in price after the increase, to trade at 99¾ bid. Dealers said its yield compared favourably with five-year domestic bank bonds, which are currently yielding about 5.54 per cent.

Prices in the D-Mark secondary Eurobond sector gained about ¼ point, encouraged by firmer US Treasury bonds overnight. Dealers described trading as quiet, although some retail buying orders emerged.

In the domestic bond market, prices rose by between 10 and 20 basis points in subdued trading. The most recent **Federal Government** bond, however, gained 30 basis points to fix at 99.45.

Eurodollar bond prices at the outset were helped by the firmer New York market, which had been triggered by lower oil prices. Later, weakness in the US Treasury market pared the Eurodollar sector's gains, though prices still ended as much as ⅜ points higher. Dealers described trading as extremely thin and technical.

Euroyen bonds also had a firm start, as Japanese Government bonds had rebounded overnight

INTERNATIONAL BONDS

in response to lower oil prices and Bank of Japan buying. But Euroyen prices closed only about ⅛ point higher in mostly professional dealing.

Eurosterling bond prices moved lower in sympathy with the gilts market, which was pulled down by weakness in New York and a disappointing response to a gilts tender during the morning. Prices in the Eurobond sector were as much as ⅜ points lower at the close.

In the UK domestic loan stock market, an £80m debenture for **First Debenture Finance**, a special vehicle set up to raise funds for four investment trusts managed by Kleinwort Benson's investment management arm, emerged. This followed a £100m unsecured loan stock for **British & Commonwealth**, the financial services group, earlier in the week.

In the Swiss franc foreign bond market, bonds for top quality borrowers continued in good demand. A SFr200m 5 per cent bond for **Oesterreichische Kontrollbank** gained ¾ points to close at 101½. Prices overall gained about ⅛ points.

Swiss Bank Corporatioin announced a SFr100m four-year bond for **Occidental Petroleum**. The 5¾ per cent issue was priced at par. Dealers described the terms as generous, but thought investors might be put off by the borrower's Triple B rating. Nevertheless, the issue met a firm initial response.

The bond marks a refinancing of an existing 7¾ per cent bond for the borrower, due in 1992, which will be called at 101 next March.

Sin takes over as chairman of HKSE

By David Dodwell in Hong Kong

MR CHARLES SIN was yesterday elected chairman of Hong Kong's unified stock exchange. He succeeds Mr Ronald Li, the exchange's founder chairman, who has successfully defied predictions that he would be forced to retire prematurely following his controversial role in closing the exchange for four days in the wake of the Black Monday world stock market crash in October.

Along with the election of Mr Sin, seven new members were elected to the stock exchange committee, all of them local Chinese brokers. This leaves unresolved a long-simmering dispute over the absence of any representative of the international stockbroking houses on the 21-member committee.

International institutions account for about 70 per cent of stock market turnover and have long demanded representation on the stock exchange's governing body in acknowledgement of this.

Mr Sin takes over as stock exchange chairman at a point where radical change in the structure and regulation of Hong Kong's securities industry is certain.

It is equally certain that Mr Sin will not be allowed the autocratic power over decision-making in the exchange that was a characteristic of Mr Li's 18-month tenure as chairman.

This is in part due to the way the stock market crash was handled locally and in part to serious weaknesses in the structure of the securities industry that were highlighted by the collapse.

A week after Black Monday, as other exchanges were beginning to recover ground from the collapse, the Hong Kong exchange reopened to a debacle that saw 43 per cent wiped off the market's total capitalisation.

Already, Mr Robert Fell, the territory's former Banking Commissioner, has been called back to Hong Kong out of retirement in the UK to be appointed senior chief executive of the exchange. He has a brief to orchestrate reform and will doubtless be consulting closely with an inquiry into the state of the securities industry. This is headed by Mr Ian Hay-Davison, a former partner in the accountancy firm, Arthur Anderson, who also headed an inquiry in the UK into scandals at Lloyd's of London.

Mr Li has been criticised for his autocratic control over the stock exchange, for the way in which a number of his family members, and family businesses, provided services to the exchange, the way in which new stock exchange listings were processed, and the incestuous relationship that existed between the committees controlling the stock exchange and the futures exchange – business which was dominated by trading in Hang Seng index futures contracts.

It was the collapse of the futures exchange – with many locals including Mr Li exposed to substantial liabilities when it crashed – that forced closure of the stock exchange. The Government and securities industry participants have agreed HK$4bn in support packages for the futures exchange, with HK$1.8bn of that so far drawn down.

Mr Li has been forced to resign as vice-chairman of the futures exchange. A new executive is expected to announce today a number of reforms that are forecast to tighten regulation and insulate the exchange from the sort of risk that ledt to its decimation on Black Monday.

Many had expected Mr Li also to resign prematurely as stock exchange chairman. Instead, his chief executive, Mr Jeoffrey Sun, recently resigned, announcing plans to settle in Canada. Mr Li was yesterday elected as one of the exchange's five vice-chairmen.

If Mr Li had retired two months ago, he would have retired in glory. He has taken justified credit for coralling the members of Hong Kong's four competing stock exchanges into one unified exchange.

This exchange, which opened in April last year, has seen daily trading volume rise from an average of about HK$400m at the outset to over HK$4bn in the feverish weeks ahead of the crash.

But events of the past eight weeks have soured public attitudes to his undoubted achievements, instead leaving him to shoulder much of the blame for the poor handling of the collapse and the damage to Hong Kong's reputation as an international financial centre that resulted.

Carla Rapoport and Stephen Fidler on a surprising market rally

Warrants go home to Tokyo

A STRONG RALLY in the Japanese market for equity warrants, effectively long-dated options to buy shares, has surprised securities houses in London and Tokyo.

Since the crash in world equity prices in October, prices of warrants – which give holders the right to buy shares at a pre-set price – have soared by an average 60 per cent. Meantime, prices of the underlying Japanese shares have improved by less than 8 per cent.

Warrants, which can be bought for a fraction of the price of a share, are risky investments with a heavy gearing element and are thus prone to huge price swings. Nonetheless, dealers in London and Tokyo have been expressing growing astonishment at the performance of warrants in the past two weeks given the bearish back-drop on equities globally.

"For a number of these issues, we've seen an amazing, outstanding performance," said Ms Sally Mason, a warrant salesperson with Barclays de Zoete Wedd in Tokyo yesterday.

For example, the warrants issued by Gunze, the Japanese underwear company, gained 73 per cent in the first two weeks of December, while its share price rose by only 3 per cent. Chiyoda Fire and Marine's warrant jumped 50 per cent in the same period while the equity price gained just 5 per cent.

Followers of the market do not look just at the absolute price of the warrants, but also at their premiums, which indicate how much more expensive it is to buy a warrant and exercise it than to buy the underlying share. Premiums exist because it is cheaper to control shares by holding warrants than by holding the underlying shares.

Record premiums

Here, the story is even more extraordinary. Absolute prices for warrants are nowhere near where they reached at the market peak in May this year because of the slide in underlying share prices. Yet premiums on many issues are close to May's record levels, having risen in some cases to 40 per cent or more.

Dealers in the market, which is estimated to be worth about $300bn, say that part of the reason behind this is a huge transfer of warrants to holders in Japan from those in Europe.

At the time of the crash, foreign investors were heavy sellers on the Tokyo market. Worried that it was heavily overvalued, they sold more than $7.5bn in shares in the week of October 19 –24 and were also very heavy sellers of equity warrants.

That transfer of warrants seems to have continued and an estimated 75 to 80 per cent of Japanese equity warrants could now be in Japanese hands. This has meant a shortage of paper in London, which in turn has meant that even a few buy orders in the London market can push warrant prices up sharply.

As a result, much of the warrants market, traditionally based in London, has effectively shifted to Tokyo. This shift has been exaggerated in the last month because the share price crash has caused many traditional warrants investors – particularly those in Switzerland and West Germany – to close their books much earlier than usual for the year.

"We can sell to the Japanese (securities houses), but we cannot buy anything back," said Ms Mako Akiyama, a warrant salesperson with Barings Securities in Tokyo yesterday.

So why are the Japanese buying warrants? There are two main schools of thought.

The first is a theory that has most currency among foreign dealers and suggests that the rally is due to huge buying pressure from Japanese securities houses. The claim is that the houses are manipulating the warrants market to provide short-term profits for their clients or for their own book. The Japanese, for their part, strenuously deny the accusations.

The other suggests it is a function merely of the basic optimism of the Japanese about an improvement in local equity prices in the next few months, a direct contrast with what they see as the foreign view of the Tokyo market. This is more negative because Tokyo has not declined to the same extent as New York and London.

Foreign sellers

A senior official at Nomura Securities, Japan's largest securities firm, said yesterday that foreign investors have been selling warrants because they are taking a bearish view on Tokyo. The Japanese, on the other hand, have been attracted to warrants because they have provided a cheap way of getting back into the market after the crash with little downside risk. From their peak of 47 last May, the average price of warrants slid to just 18 on October 27. As of this Monday, the average price had recovered to nearly 29.

The market might even provide a glimmer of hope in a world equities market shrouded in gloom. "The warrants market is anticipating a rally in the Japanese stock market and a big one," said Ms Sarah Allen of the London-based dealers Cresvale.

NZ considers financial deregulation

BY DAI HAYWARD IN WELLINGTON

THE NEW ZEALAND Government is considering the introduction of new tax measures as part of an economic package to form the basis of moves towards expanding its role as an international financial centre over the next three years.

These measures would require the abolition of non-resident withholding tax, the removal of stamp duties, and other relatively minor changes to New Zealand tax and customs laws. They were outlined in a review prepared by the Market Development Board. The review has been welcomed by theGovernment, which has ordered officials to study the implications of the changes and to report back by early next year.

But already, Mr Mike Moore, the Overseas Trade Minister, and Mr Peter Neilson, the Associate Finance Minister, have shown enthusiasm for the development of an international finance centre in New Zealand.

According to the review, this could attract business from Hong Kong, Singapore, Tokyo and Sydney, all of which have problems or disadvantages which would not apply to New Zealand. Many foreign exchange dealers now operating in Australia, it maintained, would be attracted to New Zealand if the right conditions were established.

New Zealand's foreign exchange earnings would increase by about NZ$150m (US$96.8m) within three years, according to Mr Peter Shirtcliffe, chairman of the Development Board. The loss of revenue from the removal of stamp duty, which is now worth about NZ$21m from the transfer of equities, would be quickly replaced by increased income tax from the new business generated, he said.

Mr Neilson said the removal of stamp duty was already "under active consideration" by the Government and changes relating to withholding tax could well fit into government economic planning.

Mr Moore said New Zealand's advantages – apart from its geographical position making it the first finance market in the world to open each day – were becoming recognised by international financial operators. New Zealand was ideally placed to become an important link between the US and Asian markets. It could offer a deregulated financial sector, a floating exchange rate, no exchange controls, no controls on interest rates, no reserve asset ratios on financial institutions, a stable political system, Western-style legal and accounting systems and efficient telecommunication and transport systems.

Cabinet ministers are privately enthusiastic about the prospects of New Zealand enhancing its position as a world finance centre. They believe this could be underway within a year.

In addition to the necessary moves on stamp duty and withholding tax, the Market Development Board also suggests the Government should review the extra 58 per cent company tax on New Zealand-sourced income of non-resident companies.

It also recommends a continued lowering of marginal tax rates and a review of the reasons for applying withholding tax on interest and dividends paid to non-residents.

Mr Shirtcliffe said New Zealand's moment had come, as Hong Kong-based banks in particular were starting to look for alternative locations because of the pending transfer of the colony to China.

In addition, the costs of establishing and maintaining a financial institution in Tokyo were five or six times as high as in New Zealand. The most important features New Zealand could offer, however, were its location and time zone advantages.

FFr4bn credit for Eurotunnel

By George Graham in Paris

CREDIT NATIONAL, the French state-owned industrial financing institution, yesterday signed a FFr4bn credit for Eurotunnel, putting the final touch to the Channel tunnel group's financing arrangements.

The credit, like the FFr10bn credit signed by Eurotunnel last month with the European Investment Bank, will be charged to the tunnel group's recent FFr50bn syndicated loan agreement. It will be guaranteed by letters of credit from the bank syndicate until after the tunnel has come into operation.

Mr Andre Benard, Eurotunnel's co-chairman, said the credit increased the group's flexibility, allowing longer repayment periods and the possibility of fixed interest rates. It also offers Eurotunnel greater French franc drawing possibilities than the syndicated loan. Expiring in 2005, it is the largest loan made by Credit National.

GDR foreign trade bank raises Eurolire funds

BY DAVID LANE IN MILAN

BANCA COMMERCIALE Italiana has agreed two Eurolire loans with the Deutsche Aussenhandelsbank, the East German bank for foreign trade. The loans will provide a total of L100bn to finance the construction of factories for automobile parts in the GDR.

An official at Banca Commerciale Italiana's Milan head office said that the loans, managed by the bank's London branch, represented one of the most important operations undertaken by Italian banks in financing trade with East Germany.

The duration of the loans has been set at eight years, at the consensus interest rate. The rating of the East German trade bank is such that the operation is not covered by SACE, Italy's export insurance fund.

The loans concern export contracts won by two companies in the Fiat group. About L85bn will be used for the construction of a carburettor factory in Berlin. The Fiat subsidiary, Weber, has a contract with the East German Industrieanlagen Import for a key-in-hand project. The second contract involves Comau, the factory systems and robotisation subsidiary of the Turin car maker.

Comau has a contract with WMW Import to supply automation plant for clutch production at Zwickau. Banca Commerciale Italiana's agreement with the Deutsche Aussenhandelsbank provides this contract with loan finance of about L15bn.

Banca Commerciale Italiana has been given Standard & Poor's A1+ rating for its programme of Eurocertificates of deposit. Describing Banca Commerciale Italiana as one of the top three Italian banks, Standard & Poor's noted the significant increase in the bank's assets over recent years.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	[illegible]	[illegible]	[illegible]	0	9.71
All Nippon Air 9⅞ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	10.73
American Brands 8⅞ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	9.83
A/S Eksportfinans 7⅞ 91	100	[illegible]	91	[illegible]	[illegible]	9.73
A/S Eksportfinans 7¾ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barc. Bk. Fin. 10¾ 89	200	[illegible]	[illegible]	[illegible]	[illegible]	8.90
Belgium 9⅛ 92	400	[illegible]	[illegible]	0	[illegible]	[illegible]
British Telecom 7⅞ 96	250	[illegible]	86	+1	[illegible]	10.14
British Telecom 8⅞ 94	150	[illegible]	[illegible]	+2	+1	9.46
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	9.55
Canadian Pac 10¾ 92	100	[illegible]	[illegible]	0	+1	10.04
C.C.C.E 7⅞ 91	113	[illegible]	[illegible]	[illegible]	[illegible]	9.19
C.N.C.A 7¾ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	9.46
Coca-Cola Ent. 8¾ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	9.16
Credit National 7⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	9.27
Credit National 7¾ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 7⅞ 92	500	[illegible]	[illegible]	[illegible]	[illegible]	9.65
Denmark 8¾ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.E.C 7 91	100	[illegible]	[illegible]	[illegible]	[illegible]	9.10
E.E.C. 7¾ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	9.47
E.E.C 8¾ 96	100	[illegible]	90	[illegible]	−1	10.08
E.I.B. 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.I.B. 9⅞ 97	150	[illegible]	[illegible]	[illegible]	[illegible]	10.05
Finland 7⅞ 97	200	[illegible]	[illegible]	+1	[illegible]	10.14
Finland 7½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Ford Motor Cred 11⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	8.65
Gen Elec Credit 10¾ 00	200	—	—	—	—	—
G.M.A.C. 8 89	250	[illegible]	[illegible]	[illegible]	[illegible]	8.87
G.M.A.C. 8¾ 89	200	[illegible]	[illegible]	[illegible]	[illegible]	8.37
Hoesch 8¾ 97	100	[illegible]	[illegible]	+1	[illegible]	10.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTL. COMPANIES

ICL to reorganise Bombay offshoot

BY JOHN ELLIOTT IN BOMBAY

ICL OF THE UK is reorganising the top management of International Computers India Manufacture (ICIM), its Bombay-based offshoot, and is helping the company to raise a loan worth about £2m ($3.66m) to cope with short-term cash-flow problems. It is also considering linking up with another Indian company on computer software and wants to expand ICIM's own manaufacturing operations.

ICIM is 40 per cent owned by ICL, which, in the past few years, has turned down repeated takeover offers from Indian business houses, including members of the Birla and Modi families.

It is India's largest private sector computer company and runs ICL's biggest full manufacturing operation outside the UK, producing small to medium-size mainframe computers and mini business machines.

In the past four years, ICIM has more than doubled its turnover to an estimated Rs500m (about $40m) this year. Annual pre-tax profits have been about Rs200m in the past two years.

Now ICL, which is part of STC, has decided to adopt a new approach and look for immediate expansion possibilities at a time when the Indian computer and electronics market is developing rapidly. A new export-oriented software joint venture, probably separate from ICIM, is the first priority, followed by other manufacturing possibilities, including computer peripherals and sub-assemblies.

ICL also has to solve immediate top management problems. Major-General Shyamal Ghosh, who has been managing director of ICIM for about 18 months, is resigning and has gone on six months' leave. He was previously chairman of Bharat Electronics, a government-owned defence-based company. Until a successor is found, the company is being managed by a three-man committee of non-executive directors, including Mr David Beesley, ICL's vice-president for South Asia.

The cash-flow problems have been caused primarily by a tightening of liquidity on the Bombay inter-corporate market, according to the company. ICL is organising and underwriting short-term bridging finance, expected to be equivalent to about £2m.

Israeli privatisation of Paz group in jeopardy

BY JUDITH MALTZ IN JERUSALEM

REPEATED DELAYS in the announced deregulation of the Israeli oil industry have jeopardised the Government's chances of selling the billion-dollar Paz oil group, a top priority of its largely fruitless privatisation programme.

Negotiatons with four potential buyers – among them foreign investors – have "become difficult," according to Mr Ze'ev Refuah, head of the Government Companies Authority, who claims this results from uncertainty over the future of the domestic energy market.

The Israeli Energy Ministry originally intended to put its proposed reforms into effect in January 1987. But these plans have already been postponed three times, as a result of fierce opposition from the country's powerful oil cartel.

The Paz group has 30 subsidiaries, notably the Paz Oil Company, Israel's leading fuel distributor which controls about half the domestic market. The Government's 75 per cent holding in the company has been valued at between $100m and $125m.

The sale of Paz, regarded as a test of the Government's seriousness about privatisation, has been under discussion for four years. Last April, when four contenders were shortlisted, Mr Refuah said he was confident that it would be a matter of a few months before a final sale was agreed.

Mr Moshe Shahal, the Energy Minister, had earlier dismissed claims that the implications of greater competition in the oil industry might fight off potential buyers, arguing that any serious contender would insist on an open market.

Mr Refuah said this week that if the deregulation issue was not settled within the next three months, his only remaining option would be to sell a minority equity in Paz on the small local stock exchange. "I will not be able to sell more than 10 to 25 per cent of its shares," he said.

In August, First Boston, the New York investment bank, was chosen to serve as the government consultant on the privatisation of some 30 state-owned companies. Its final recommendations are due next April.

Poseidon in deal with Bond

POSEIDON, the Australian mining company, is to sell its half share of Kalgoorlie Lake View to Gold Mines of Kalgoorlie for A$375m (US$267m), giving GMK 100 per cent control, Our Financial Staff reports.

KLV owns 52 per cent of the Kalgoorlie Mining Associates venture operated by a unit of Homestake Mining. Poseidon earned A$9.7m from KLV in the first half of 1986-87, against A$2.7m a year earlier.

Mr Alan Bond, GMK's chairman, said it would pay A$200m in cash, 214,000 ounces of gold over six years and a A$25m note convertible into 5m GMK shares.

Mr Bond, who is also chairman of GMK's biggest shareholder, North Kalgurli Mines, said GMK would make a two-for-one rights issue at A$2.50 a share.

North Kalgurli would in turn make a one-for-two rights issue at A$0.35, with an attaching two-year option, exercisable at A$0.50 a share after 15 months.

North Kalgurli and GMK are controlled by Dallhold Investments, Mr Bond's unlisted family investment company.

Improvement in profits for New Straits Times

BY WONG SULONG IN KUALA LUMPUR

NEW STRAITS Times (NST), Malaysia's largest news media group, has reversed two years of falling profits to report a 10 per cent rise in its pre-tax result to 27m ringgit ($10.9m) for the year to August.

Turnover, however, fell by nearly 9 per cent to 165m ringgit. Profit after tax was 19 per cent higher, at 11.9m ringgit.

The higher earnings largely came from income from its associated companies, particularly from the fast-expanding Television Three network, and the newly-listed Bank of Commerce.

NST's traditional newspaper business continued to be adversely affected by declining advertising and circulation revenues, as reflected by operating profits which fell by 41 per cent, to 5.6m ringgit.

However, the newspaper business is expected to benefit in the current financial year from the closure of NST's rival, the Star, which was banned last October as part of the Government's crackdown on opposition groups. The Star's closure assures the NST group a virtual monopoly in the English-language newspaper sector.

The final dividend is 8 cents, making 17 cents for the year, compared with 15 cents previously. NST is controlled by Fleet Holdings, one of the investment arms of the ruling United Malays National Organisation.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1986							
2nd qtr.	103.7	104.9	97	121.3	154.0	3,203	175.6
3rd qtr.	110.9	105.0	96	123.7	158.7	3,202	200.2
4th qtr.	111.1	107.4	96	126.5	194.3	3,141	213.0
1987							
1st qtr.	111.9	107.3	95	125.4	157.0	3,073	210.4
2nd qtr	112.4	109.4	93	128.3	166.0	2,965	226.1
3rd qtr	114.7	111.8	92	131.8	171.8	2,827	241.3
April	112.5	109.0	94	130.0	169.0	3,018	217.7
May	113.1	109.6	93	125.4	161.3	2,952	230.5
June	111.7	109.8	93	129.4	167.2	2,925	233.7
July	114.4	111.4	92	131.2	173.7	2,876	235.2
Aug.	115.2	112.1	92	132.5	171.0	2,829	236.9
Sept.	114.4	112.0	92	131.8	171.0	2,773	246.6
Oct.	115.4	113.2		133.0	169.5	2,714	261.4
Nov.				134.4			

OUTPUT-By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer goods	Invest goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	100.8	114.9	101.1	109.1	103.1	14.6
2nd qtr.	105.3	101.1	115.7	102.6	119.6	104.1	19.5
3rd qtr.	106.4	101.2	117.5	103.5	109.5	103.2	19.4
4th qtr.	108.5	103.3	116.9	105.4	115.0	104.8	15.5
1987							
1st qtr.	108.0	102.9	117.8	105.2	113.8	101.9	17.4
2nd qtr	110.8	103.0	117.6	105.8	119.1	105.8	19.6
3rd qtr	113.1	106.3	119.3	108.1	120.6	107.9	20.2
April	110.4	103.0	117.9	105.0	115.9	106.0	18.1
May	111.4	102.6	118.8	106.0	119.0	106.0	20.6
June	110.7	103.5	116.1	106.9	123.0	106.0	20.2
July	112.8	105.2	119.4	107.0	120.9	106.0	20.9
Aug.	113.5	106.1	120.3	108.0	124.0	109.0	17.8
Sept.	112.9	107.5	118.3	109.0	118.0	107.0	21.8
Oct.	114.4	108.3	119.3				17.4

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
2nd qtr.	121.9	128.1	-1,606	+146	+765	102.5	19.20
3rd qtr.	122.6	139.0	-2,891	-910	+621	103.2	22.43
4th qtr.	130.5	144.0	-2,725	-960	+785	100.9	21.92
1987							
1st qtr.	130.0	133.2	-1,136	+972	+1,164	100.5	27.04
2nd qtr	126.3	140.7	-2,382	-174	+1,023	103.7	34.36
3rd qtr	130.7	151.0	-3,048	-1298	+842	102.8	34.81
April	131.4	138.6	-527	+203	+423	102.8	29.81
May	124.2	144.8	-1,107	-378	+365	103.8	34.68
June	123.4	139.1	-748	-19	+245	104.4	34.35
July	130.9	147.3	-925	-325	+284	103.1	34.91
Aug.	126.6	155.1	-1,507	-907	+372	103.9	34.36
Sept.	124.6	159.1	-617	-17	+296	104.0	34.81
Oct.	132.4	149.1	-892	-282	+306	104.9	41.40
Nov.							41.28

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
1986							
2nd qtr.	3.1	25.9	27.2	+6,455	1,499	+846	10.00
3rd qtr.	5.9	20.3	15.4	+6,995	169	+792	10.00
4th qtr.	7.6	15.2	14.1	+10,515	2,814	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,738	1,465	+862	10.00
2nd qtr	3.3	22.7	20.2	+8,554	1,304	+1,033	9.00
3rd qtr	2.1	25.2	21.7	+11,445	1,211	+849	10.00
April	0.1	20.9	23.6	+2,202	727	+410	9.50
May	5.5	27.6	22.6	+2,502	551	+234	9.00
June	4.5	20.8	21.5	+3,979	556	+329	9.00
July	7.7	24.5	24.2	+4,530	347	+241	9.00
Aug.	7.1	22.5	21.0	+2,653	667	+206	10.00
Sept.	6.5	19.5	21.4	+4,330	197	+412	10.00
Oct.	6.9	26.0	27.9	+2,994	612	+412	9.50
Nov.							9.00

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg*	RPI*	Foods	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	122.4	142.3	96.5	96.9	1,625	75.1
2nd qtr.	184.6	125.5	145.7	97.5	98.7	1,714	76.1
3rd qtr.	187.4	120.8	146.8	97.9	98.3	1,464	71.9
4th qtr.	191.6	127.4	147.4	99.1	98.3	1,606	68.2
1987							
1st qtr.	192.0	129.5	149.3	100.3	100.5	1,580	69.9
2nd qtr	198.0	128.7	150.9	101.9	101.8	1,598	72.8
3rd qtr	202.1	131.0	151.6	102.1	100.5	1,647	72.7
April	196.0	128.4	150.5	101.8	101.6	1,564	72.4
May	198.1	128.9	151.0	101.9	102.2	1,612	73.3
June	200.0	129.7	151.1	101.9	101.8	1,629	72.6
July	203.1	130.5	151.3	101.8	100.4	1,632	72.8
Aug.	201.6	131.3	151.5	102.1	100.7	1,655	72.8
Sept.	201.6	131.1	152.0	102.4	100.4	1,653	72.1
Oct.		131.0	152.8	102.9	101.1	1,662	73.6
Nov.		131.6	153.2	103.4		1,682	75.4

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

UK wallpapers go up with a bump

Clive Cookson explains how the introduction of blown vinyl coverings has revitalised a flagging market

THE UK WALLPAPER industry is being transformed by a new manufacturing process borrowed from textile printing. The resulting product is "blown vinyl" wallpaper, sales of which are growing by 40 per cent a year and already account for almost a quarter of the UK wallcoverings market.

Blown vinyl gives the wallpaper a raised texture somewhat like a traditional embossed paper. But it has a higher surface relief than embossed paper and it is much easier to hang.

The Dutch machinery manufacturer Stork was responsible for the emergence of blown vinyl wallpaper. Stork made rotary screen printers for the textile industry and realised that the same technology could be used to print a new kind of wallcovering.

In traditional rotary screen printing, the ink sits inside a thin nickel cylinder perforated with small holes. A rotating metal blade pushes the ink out onto the textile, and the pattern is created by blocking off some of the holes. When the technique is applied to wallpaper, a PVC paste containing a chemical "blowing agent" is used as the ink. It is baked in an oven after printing, and the pattern puffs up like a layer of sponge cake on the paper.

The German wallpaper industry was first to use Stork machines to make blown vinyl paper. The technology reached Britain in 1982, when two or three of the smaller manufacturers ordered rotary screen printers from Holland.

One of the pioneers was Graham and Brown, a family-owned company in Blackburn (traditional centre of the British wallpaper industry). "We were desperately looking for a product that would set us aside from our competition," says joint managing director Roger Graham. "Blown vinyl appealed to us because it is easy to hang – and we have always believed that the use of wallcoverings in this country has been discouraged by the difficulty of preparing the room and hanging the paper."

Graham and Brown installed a £1m Stork rotary printer and, without doing any consumer research, launched the first television advertising campaign in the company's history. Since then the company's turnover has tripled and the workforce has increased by 50 – all thanks to blown vinyl.

The success of Graham and Brown and the other blown vinyl pioneers, such as Fine Art Wallcoverings (an AG Stanley subsidiary), eventually prompted the larger UK wallpaper manufacturers to install rotary printing machinery. One of them is Nairn Kingfisher, and George Niven, technical director, admits: "There's no doubt that the giants were a bit slow to get off the ground; the little boys got going first."

The first blown vinyl wallpapers made in Britain were all white with a puffy, highly-raised surface. These papers, which are designed to be painted after hanging, quickly proved extremely popular in the North of England but were less of a success in the South.

For the second generation of blown vinyl papers the manufacturers added colours to the PVC paste. (The latest machine installed by Nairn Kingfisher can print in seven separate colours.) These coloured papers, which have a less puffy and more uniform surface, are appealing more strongly to Southern consumers.

Stork printers, imported into Britain by Samuel Bradley of Stockport, still lead the market. But the Dutch company now faces competition from a UK wallpaper equipment manufacturer, Emerson and Renwick of Accrington. This family business launched its own blown vinyl printer two years ago and has already sold 11 machines, costing more than £1m each.

Emerson and Renwick sales director Keith Spencer says the company responded very fast when it realised that blown vinyl was taking over the wallpaper industry. "We designed and developed our machine from scratch in less than 12 months – taking care not to do a me-too job on the Stork."

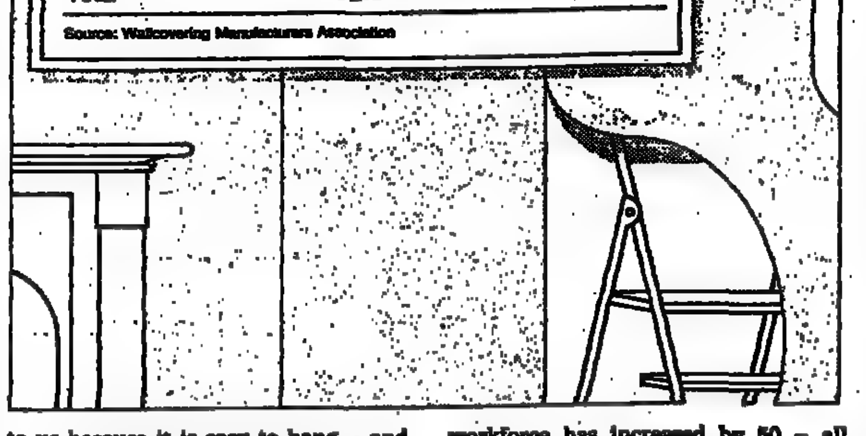
Sales of blown vinyl are now increasing by 35 per cent a year for white and 45 per cent for coloured papers, while traditional wallpapers are in decline. The industry expects the blown vinyl boom to continue – and to move up market. Wallpaper designers who shuddered at the crudeness of the early puffy papers are now creating increasingly sophisticated multicoloured patterns with blown vinyl in low relief.

UK wallpaper sales

million rolls

Year end Sept	1985	1986	1987
Blown vinyl white	5.8	7.8	10.6
Blown coloured	5.5	9.4	13.6
Others	81.5	78.3	77.1
Total	92.8	95.5	101.3

Source: Wallcovering Manufacturers Association



US sheds light on true cost of corporate computing

BY LOUISE KEHOE IN SAN FRANCISCO

CORPORATE computer networks are more expensive to operate than most companies realise, a recent US study concludes. The study also suggests that the true "running costs" of these complex networks far exceed the initial purchase price.

"We found that none of the 14 companies we worked with on this study had any idea of its total network cost," says Michael Treacy of the Massachusetts Institute of Technology. "The real costs start once you've paid for the network," he adds. Treacy, together with the Index Group, a computer consultancy, analysed the costs of 17 large computer networks in the US.

The study shows that the major costs of network ownership are not in the initial acquisition of the equipment, as many buyers might expect.

"The equipment cost comparisons that most firms typically do probably don't reveal the true differences that exist between computer vendors in the cost of network ownership," Treacy warns. "If you are selecting networks based on the cost of equipment, you are looking at 25 per cent of the problem – or less."

A lot of companies that operate computer networks focus on the costs of communications as the major issue, says Treacy. Again, this is a mistake, he suggests, because communications typically represent less than ten per cent of the overall costs. Instead, he says, personnel costs associated with running the network should be a primary concern.

According to his study, personnel costs ranged from 30 to 50 per cent of the overall costs over a five-year period at the 17 corporate computer networks studied. "As networks are becoming more dynamic, the personnel costs are becoming a bigger and bigger component of the cost of network ownership and they are growing," says Treacy.

Adding new terminals to a network, introducing new software or making other changes can significantly add to the costs of running the system, he explains. Comparing the costs of networks supplied by IBM and by Digital Equipment Corporation, the study, which was conducted independently but financed by DEC, concludes that DEC networks are on average 38 per cent cheaper to run.

According to DEC, this is because reconfigurations of its equipment require less manual intervention and because the company offers automatic rerouting and other features designed to reduce the need for network monitoring.

Not surprisingly, IBM is sceptical and points out that other independent studies have come to the opposite conclusion. IBM also questions whether the study does not make "apples to oranges" comparisons.

WORTH WATCHING

Edited by Geoffrey Charlish

Australians cook chickens on the run

IN MELBOURNE, Australia, it is now possible to "dial" a chicken (or for Christmas, a turkey) and have it delivered to the doorstep, cooked and piping hot, in a matter of minutes.

"Dial-a-Chicken" is a new idea from Australian Consolidated Foods (ACF) which deploys franchised delivery vans with on-board cooking facilities. The vans are in radio communication with a central office which receives telephone calls from customers and relays each order by radiotelephone to the van operating in the area nearest to the customer's house.

For a fee of A$20,000(£7,800), the franchisee is provided with a van containing a gas oven, a radiotelephone and a UK-built mobile data printer and radio interface unit (Spectronics Micro Systems, SMS). SMS's Australian agent, Heyden Spike, commissioned the system in Australia and wrote the operating software.

Linked to the ACF base computer, the printer produces name, address and customer's order, avoiding the confusion that can arise with speech links, and remaining effective even when the driver is away from the vehicle. Less air-time is used than with speech, keeping the channel clearer.

The ACF central factory has 16 screen and keyboard operators working into a Digital Equipment Corporation PDP 11 minicomputer. For an existing customer, entry of the telephone number will bring up the name and address immediately on the screen.

The delivery vans contain a number of standard meals that have been collected from the central factory. Stock control software monitors consumption and feeder vans top up supplies in the delivery vehicles if they run short.

The service has been obtaining 1,000 orders an hour in peak periods and an expansion from the present 30 vehicles to 150 is planned.

Business line gets the message across

HILL INTERNATIONAL Business Systems of Newcastle upon Tyne in the UK has introduced an office machine which offers a combination of message "store and forward" and centralised dictation.

The system has a bank of four audio cassettes, all of which can be applied by the machine to either function. Messages are sent via the PABX (company phone exchange) using a multi-frequency push button phone. A synthesised voice asks the caller to key in his identity number and then the number of the party for whom he wants to leave a message.

The stored message can be picked up by the called party, who rings the machine at his convenience using a similar keying process.

In the same way, material can be dictated and left for a typist, who can easily find any dictation using the codes.

The "full cassette" problem does not arise because the machine switches automatically from one cassette to another, the system's review and amendment facilities remaining intact. The device, called MTMS, costs about £2,000.

Siemens electrifies architect sketches

COMPUTERS ARE being taught to turn engineers' and architects' free-hand sketches into properly constructed diagrams at the Munich research laboratories of Siemens in Germany.

A camera initially scans the paper sketch point by point and stores the data. Then a computer using artificial intelligence programmes is brought to bear. First, it detects numbers and letters and processes them directly into proper characters. Then it examines branch and corner points on the sketch, looks for straight lines and arcs and compares the patterns it finds with symbols stored in its memory.

In an architect's draft, for example, the software will recognise doors, stairs, windows, cupboards and so on, by comparing them with formally drawn memorised versions.

After putting the formal version into the user's electronic "drawing", the whole diagram is printed out. In the case of an electronic engineer's sketch, the printout can also include a list of the components.

Bundespost puts ISDN on trial

IN GERMANY, the Bundespost (Federal German Post and Telecoms Service) is in the process of providing 400 households, in Stuttgart and Mannheim, with trial integrated services digital network (ISDN) telephone facilities.

Each user will have access to a standard dual ISDN line with two 64,000 bit (64kb) per second communication channels that could carry speech, facsimile, telex, compressed video and virtually any other data that can be digitised.

Subscribers with suitable equipment will be able to send, for example, a page of text in about 0.25 of a second or a colour picture of television quality in four or five seconds. The provision of two channels allows connection either with two other subscribers at the same time, or the use of two different kinds of service with one other subscriber.

Initially, communication will be within each city. Later, Stuttgart and Mannheim will be linked.

CONTACTS: SMS: UK, 0954 80888. Hill International: UK, 091 273 9261. Siemens: UK office, 0932 785691. Bundespost: Deutscher Forschungsdienst in Bonn, 228 302210.

UK COMPANY NEWS

English China up 24% to £112m

BY CLAY HARRIS

English China Clays, the Cornish-based industrial minerals, quarrying and construction group, increased pre-tax profits by 24 per cent to £112.1m in the year to September 30 1987.

The increase from £90.4m in 1985-86 was achieved through an improvement from all divisions except the smallest, international drilling fluids, which suffered from fierce competition in the depressed oil exploration market.

In the clays-based international division, the operating margin was static despite a 10 per cent increase in sales volumes and a 3 to 4 per cent increase in prices. The result was restrained by costs associated with production at or above capacity for much of the year.

ECC confirmed its plans for further US acquisitions in the the quarrying and construction aggregates market, where it bought Minnesota-based J.L.Shiely last month.

In the UK, the construction division sold 1,144 houses at an average price of £47,000 (compared with £40,000 in 1985-86). Unit sales in the first two months of the current year were 19 per cent ahead of the comparable period.

Sir Alan Dalton, chairman, yesterday continued to turn aside questions about ECC's intentions towards its 29.9 per cent stake in Bryant Group, the Midlands-based housebuilder and property developer which ECC narrowly failed to win in a take-over battle earlier this year.

ECC's construction division results included £3.6m from Bryant, its share of four months of the 1986-87 results. ECC would be free to launch a new bid late in January. The two companies have not had any direct contact since March.

"Bryant's performance in the year to May 1987 comfortably exceeded the forecast during the bid," Sir Alan said. "We look forward to a comparable improvement in the current year and will keep the investment under review."

Sir Alan said ECC was comfortable under current economic conditions with its position in "stable and not particularly elastic markets." its products were "basic and not subject to whim or high-speed change."

The company was confident about the five-year demand outlook for the paper industry, the leading customer for its clays.

ECC will seek shareholders' approval for a performance-related executive share option scheme, which is expected to apply to about 100 senior managers. In 1986-87, the company contributed £10m to the profit-sharing scheme for UK employees.

Turnover rose to £762.5m (£683.6m), net interest expense went up to £5.8m (£3.6m), and tax of £40m (£32.3m) reflected a stable rate of about 35.6 per cent.

Earnings per share increased by 23 per cent to 34.88p (28.44p). A final dividend of 9.5p (8.25p) will make a total of 14.5p (12.5p). ECC plans to introduce a scrip alternative.

See Lex

JFB on target with £5.6m profit

BY FIONA THOMPSON

Johnson & Firth Brown, the Sheffield-based metals and engineering group, yesterday reported pre-tax profits 24 per cent ahead at £5.62m for the year to September 30, 1987, up from £4.57m.

However, at the operating level, profits were only slightly ahead at £5.78m, compared with £5.53m last year. Turnover slipped to £83.78m from £92.44m.

There were two disappointing areas, according to Mr Roy Shephard, chief executive. Aerospace industry profits - the company makes castings for engines - fell by £1m from £3.3m to £2.3m. There were now signs of an improvement in demand but this would not come through until the second half of the present financial year. Exchange rate volatility meant that while one year ago JFB's aerospace companies were highly competitive in North America, "at current exchange rates we must accept very fine margins to maintain our presence in the market".

The second problem area was Greenings, which makes cable trays for the oil industry. The company produced a "quite unacceptable loss" of £700,000, substantially up on last year's £150,000 loss. The main problem was overcapacity for many of the products Greenings manufactures and an unwillingness within the industry to take the necessary steps to realign capacity and demand.

The share of profit of associated companies rose to £1.38m from £829,000, and the interest charge decreased from £1.79m to £1.54m, which helped to boost pre-tax profits. Tax took £1.46m, compared with £1.58m last time.

Earnings per share rose to 4.0p from 3.0p. A final dividend of 1.0p was recommended, making a total of 1.5p for the year, against 0.25p last year.

● comment

The City was not surprised by yesterday's figures as the company forecast £5.5m at the time of the Woodhouse & Rixson acquisition in September. The downturn in aerospace business was due to Rolls-Royce cutting their orders by 35 per cent, a hard knock for JFB, but business is now picking up. No one would question Roy Shephard's success at turning round a company that a few years ago was almost bust, but analysts are somewhat sceptical of his aim to have a group with four divisions each producing £5m pre-tax profits within five years. Gearing is now at 50 per cent, and is expected to decline to about 40 per cent by year end. An acquisition in the specialist engineering division to be announced in the spring will be for cash. The shares closed 1p down at 39¾p last night. City assumptions of pre-tax profits for this year of £8m produces a prospective p/e of about 10.

Expanding Kingsgrange lifts profit to £1.1m

Kingsgrange, the toiletries manufacturer which joined the main market in July, lifted pre-tax profits from £975,000 to £1.12m on turnover up from £7.86m to £9.06m for the six months to October 31 1987.

The company, which acquired Park Rose, ceramics maker, in October, announced that it is to purchase Secret Garden, a Canadian company which manufactures potpourri and scented products, for an initial consideration of C$1.8m (£750,000), subject to adjustment, to be satisfied by the allotment and issue to the vendors of 292,209 new ordinary and C$900,000 in cash.

An interim dividend of 0.75p (0.33p) is declared and earnings per 10p share were increased to 5.9p (5.2p) after tax of £313,000 (£309,000).

The directors said that turnover had increased by 15 per cent notwithstanding the weakening of the US dollar and the adverse effect on the sterling conversion of sales by the company's North American subsidiaries.

There was continued strong demand for the company's branded products and the results from the launch of the new Orchid range were encouraging.

First Debenture placing

BY CLARE PEARSON

Kleinwort Benson yesterday completed the placing of an £80m debenture for **First Debenture Finance**, a special purpose vehicle. The purpose of the issue is to raise funds for four investment trusts managed by Kleinwort Grieveson Investment Management.

The 30-year debenture was priced at 99.057 with an 11⅛ per cent coupon to give a yield of 11.234 per cent, 1.40 per cent higher than the 13½ per cent Treasury Stock 2004/08.

The debenture is the second issue in the UK domestic debt market this week, following a £100m unsecured loan stock for British & Commonwealth on Monday.

The trusts, which are guaranteeing the bond, are Brunner, Kleinwort Charter, Kleinwort Smaller Companies, and the Merchants Trust.

First Debenture Finance is lending the bulk of the proceeds to the four trusts, at stepped interest rates

Tricentrol rejects Elf bid

Tricentrol, the independent oil company, yesterday formally rejected a £135m bid from Elf Aquitaine, the French oil company, as "wholly inadequate".

At a board meeting yesterday, Tricentrol directors voted unanimously against the bid, and announced that "Tricentrol wishes to remain as an independent and successful exploration and production company, with a view to giving shareholders a full return on their investment."

Changes help lift Belhaven to £4.5m

Belhaven, brewing restaurant group, is showing the benefits of its recent reorganisation with group profit rising 55 per cent from £2.9m to £4.5m on turnover up from £23.35m to £26.85m for the half year to September 30 1987.

Comparisons are restated to take account of the acquisition of Garfunkels Restaurants which contributed £3.52m (£2.25m) to profits.

***Earnings per 25p share* increased to 1.58p (1.18p) and the interim dividend rose to 0.45p (0.37p).**

Mr Raymond Miquel, chairman, said that all the loss-making operations in the group had been eliminated. It was anticipated that there would be a total of 94 restaurants operating by the end of the year and Deep Pan Pizza restaurants would account for around half this total. The first Garfunkels restaurant in Scotland would be opening in Edinburgh this month and additional sites in other Scottish cities were being negotiated.

Interest and investment activty income brought in £385,000 (£2,000). There was an exceptional debit of £96,000 (£248,000) relating to a brewery product launch. Tax amounted to £1.58m (£1.02m).

● comment

Transformed by the acquisition of Garfunkels this June, any estimates of Belhaven's profits were bound to be shots in the dark. Nevertheless, yesterday's figures were better than most guesstimates. Garfunkels has an impressive opening programme this year, taking it north of the border for the first time. Would that it were so easy to take the home brewery trade south of the border. Still, if anyone has marketing prowess *it is chairman Raymond* Miquel, the former chairman of Arthur Bell. His mark is already evident from the new emphasis on selling and re-design, as well as the hefty acquisition of Garfunkels. Miquel's next move is expected to be equally incisive, although the fall in the share price has not helped.

S&N rises 28% to hit £57m as off-sales grow

BY LISA WOOD

Scottish & Newcastle, the brewer of Newcastle Brown Ale and McEwan's Export, boosted pre-tax profits by 28 per cent to£57.3m in the half year to November 1 compared with the same period last year.

Earnings per share amounted to 11.4p (10.1p) with an interim dividend of 2.7p (2.41p).

While the consumption of beer in the company's public houses declined in line with sales nationally - hit by the poor summer weather - the group's off-licence sales, which account for 20 per cent of its beer sales, grew in volume.

Home Brewery, last year's Midlands-based acquisition, made a "sound contribution," according to Sir David Nickson, group chairman. S&N recently acquired Matthew Brown, the Blackburn-based brewer but no earnings from the acquisition have been included in the group's first half figures.

Thistle Hotels, the group's chain of 33 hotels with a strong representation in the London market, produced "sparkling results," according to Sir David, and continued to trade well against the good figures achieved in the autumn of 1986.

Improved profit contributions also came from Moray Firth Maltings and Waverley Vintners.

● comment

S&N's results were slightly down on market forecasts, with the share price yesterday going up by 2p, roughly in line with the market. Draught beer sales continue to fall in the pub trade with strong regional variation. Sales are falling faster in S&N's important Scottish market where the group is under strong pressure from Bass. However, S&N is the biggest and one of the most efficient suppliers to the growing off-licence trade where the important Christmas trade looks promising this year. In the second half Matthew Brown, the Blackburn-based brewer acquired recently by S&N after its third attempt, should boost profits by up to £4.5m. Thistle Hotels have recovered from the absence of visitors in early 1986 with occupancy rates boosted to more than 90 per cent in London with the tactic of *marketing* to Far East and Continental customers bearing fruit. Pre-tax profits for the full year are likely to beat £110m with a prospective p/e of 10.

Gibbs Mew beer volume declines

Gibbs Mew, *USM-quoted* brewer based in Salisbury, improved pre-tax profits from £563,000 to £599,100 in the half year to end-September 1987 helped by property diposal income of £211,600. Turnover was down at £7.55m against £8.18m.

The interim dividend is held at 1.5p and a special "property development dividend" of 1p is also being paid.

Mr P.B. Gibbs, the chairman, reported that since September the company had agreed to buy a 50 per cent holding in Coopers of Wessex, had sold the office development at Kew Bridge and jointly purchased a small shopping complex in Cardiff.

He added that total beer volume in the current year to date had shown a decline but with some improvement in product mix - notably increased sales of Gibbs brewed traditional ales.

Bavarian-brewed Graf Arco export lager had been well received, and was now available in bottles as well as on draught. Interest took £223,000 (£76,000).

After a tax charge of £209,700 (£197,100) earnings per share worked through at 7.04p (6.62p).

Acatos and Hutcheson jumps 70% to £12.3m

Acatos and Hutcheson, Kent-based edible oil refiner,lifted taxable profits by almost 70 per cent to £12.25m on turnover ahead from £188.9m to £201.1m in the year to Setember 27.

The outcome was helped by a lower interest charge of £1.01m against £1.89m last time. Tax took £4.37m (£2.97m) and left earnings per 50p share of 25.9p (15.3p). A final dividend of 5.5p (3.75p) is proposed making 8.5p (5.75p) for the year.

The directors said that the margarine factory in London's Docklands was now operational and production was being expanded. New investment in a low operating cost physical refining plant will commerce operation in January

● comment

Acatos has been one of the best performing shares of 1987 and these figures show why. When it joined the market eighteen months ago, there were fears of overcapacity in the edible oils business; but the price war has not materialised and instead, A & H has reaped the benefits of a long period of capital investment which has lowered its costs at a time when volumes have grown. Capital expenditure should fall this year, as much of the investment programme is complete. Although there are still fears of competitive pressure in the bulk oils business, Acatos has plenty of scope to expand in margarine and bottled oils - given that people are moving from animal- to vegetable-based products for cooking. Pre-tax profits could hit £15m this year, which puts the shares, up 4p to 429p yesterday, on a prospective p/e of just over 13.

Wace £2.3m acquisition

Wace Group, the leading pre-press services group in the UK, *has acquired* **Data Colour** *for* an initial £2.25m of which £280,000 is payable in cash and the balance by the issue of unsecured loan notes 1988.

Further payments, to a maximum of £3m, on a multiple of pre-tax profits in excess of £300,000, may be payable for the years ended December 31 1987 and 1988. A large proportion of the deferred consideration would be in Wace shares.

Data Colour, which supplies comprehensive pre-press services, *mainly to the mail order* business, made pre-tax profits of £274,000 in the year to March 31 1987, on turnover of £2.4m.

Bowater in $1.3m purchase

Bowater Industries has expanded its interests in flexible intermediate bulk containers by the acquisition of US-based Bonar Industries, a subsidiary of Bonar of Canada.

Consideration is $1.3m (£711,000) in cash.

Cadbury in $18m US acquisition

Cadbury Schweppes Inc is making an $18m (£9.84m) acquisition in cash in the US. It is buying Taylor Foods Products Inc from a subsidiary of American Brands Inc.

Taylor Foods markets a range of cocktail mixes under the brand name Mr and Mrs "T", and is based in Compton, California.

Taylor made pre tax profits of $1.3m for 1986 on net assets of $6.9m.

Cadbury Schweppes will finance the deal through existing facilities.

Really Useful

Really Useful Group said that advance bookings for the Broadway production of Phantom of the Opera had reached $15m (£8.2m).

Halma acquisition

Halma is to acquire Fortress Interlocks and its associated company Fortress Safety Services for an initial consideration of £2.56m

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Acatos & Hutch ....fin	5.5	-	3.75	8.5	5.75
Belhaven ....int	0.45†	-	0.37	-	0.83
Caffyns ....int	4.2	Jan 22	3.2	-	7.5
Chemring ....fin	12	-	10.5	18.5	16.5
Electra Invest ....fin	2.3‡	-	2.3	6.7‡	4.1
Eng China Clays ...fin	9.5	-	8.25	14.5	12.5
ERF Holdings ....int	2	-	nil	-	nil
Eve Construct § ....int	1.5	-	1.5	-	5
Gibbs Mew § ....int	1.5♦	-	1.5	-	4
Johnson & Firth ...fin	1	-	0.25	1.5	0.25
Midsummer Leis. ...fin	2.5	-	-	4	-
Moorgate Inv. ....int	1.9	-	1.67*	-	5.5*
Scot & Newcastle...int	2.7	Feb 15	2.41	-	7.95
Thornton (GW) § ...fin	2.25	-	nil	3.75	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Unquoted stock. ♥Third market. ‡For 18 months period.♦A 1p property development dividend is also being paid.

Michael Donne on the link-up between United and British Airways

Darkening clouds gather over BCal

LAST WEEK'S "marketing merger" between British Airways and United Airlines of the US has injected a new element into the long-running saga of the future control of British Caledonian Airways, the "second force" long-haul international airline now being sought both by BA and Scandinavian Airlines System.

Faced with the choice of accepting either the total takeover bid by BA or the partial stake sought by SAS, BCal's shareholders must now ponder not only the immediate financial aspects of situation, but also the long-term implications of the BA-United link and how it could affect BCal.

Although BA stresses that its deal with United has been in negotiation for some time, and is not something agreed hurriedly to try either to influence or frighten the BCal shareholders, clearly it could do both.

Many other airlines, British and foreign, are looking at the BA-United link with concern. Operating together those two airlines will represent by far the biggest and most powerful long-haul international marketing force in the world airline industry — sufficiently strong to offer formidable competition to every other long-haul airline, but even more daunting to BCal even when strengthened by the SAS stake.

In fact, there are many in the airline industry who believe that, if BA is thwarted in its bid to acquire BCal, the immediate escalation of competition that it and United could (and almost certainly would) mount against BCal and SAS could severely damage the smaller group.

Although neither BA nor United are taking financial stakes in each other, the extent of the marketing links now envisaged over the long term, starting early next year, are such that a major new force in world civil aviation is being created —

Lord King, British Airways chairman.

in effect a "mega-carrier" albeit without direct financial links.

Neither BA nor United directly compete with each other, so that their co-operation is certain to be beneficial to both.

BA will gain vastly increased access not only to the massive US internal market, but also to the Pacific basin area which is very much a United preserve, especially since the latter some time ago bought the Pacific routes of Pan American.

In turn, United will gain access to the profitable North Atlantic route, as well as extensive openings throughout Europe, Africa, the Middle East and the Far East, where the BA operations meet up again with United's Pacific routes.

Each airline will market the other's seats, especially through the big new Galileo computerised reservations system to which both BA and United already belong (with BA also separately planning to buy a financial stake in United's own Covia Apollo CRS system).

BA and United will share passenger terminals, operate joint routes and share other facilities, and thus each will increase its influence not only in those areas of the world where it is currently dominant but also in those areas where currently it has only a limited presence or none at all.

In effect, the largest globe-girdling airline in the world is on the verge of being created, without any cash changing hands.

But in the light of the United pact, the question arises: why does BA still want to buy BCal? Will it not be big enough already, with more than enough on its hands to cope with?

BA's answer is that while in the long term its deal with United may well be more valuable in generating revenues and profits than any benefits from BCal, in the short term those benefits remain substantial, despite the fact that after any take-over a major restructuring of BCal will be necessary to bring it back to long-term profitability.

By amalgamating the BCal operations with its own on those European and long-haul routes where the two airlines currently compete, BA would ensure for itself a much bigger share of the market, thereby adding to its strength against foreign competition, especially in Western Europe, at a time of increasing air transport liberalisation.

It would also achieve a substantial number of "slots" (take-off and landing allocations) at Gatwick airport that it could never otherwise achieve and would also recover some Middle Eastern routes passed over to BCal under the Government-inspired "route swap" of some time ago.

BA also adds that, with BCal included, the worldwide impact of the BA-United link would be even greater and far from diminishing the UK's competitive airline power in overseas markets, would significantly enhance it.

Against that, BCal's own view is that by rejecting BA and opting for the SAS deal it would remain an independent force in the UK air transport industry — which many other smaller airlines, as well as many politicans, wish to see — while both itself and SAS would gain stronger footholds in markets where one or the other currently does not fly.

Furthermore, it is argued that the BA-United agreement is not secured by financial links, and could be terminated or substantially changed by either of those airlines at any time it suited its convenience; the SAS stake in BCal would be permanent. These are powerful arguments, but BCal shareholders pondering the merits of the rival BA and SAS offers will want to look ahead and try to guage how any SAS investment in BCal could withstand the competitive onslaught that BA and United could mount. They will also be asking what a combined BCal and SAS intends to do in the light of the new situation now created in long-haul airline markets.

Woolworth writ seeks damages

BY NIKKI TAIT

MR MALCOLM Parkinson, the former Woolworth director who has now joined the board of **Benlox Holdings** - a small investment dealing and civil engineering company whose demerger bid for retail giant Storehouse is in its final throes - is being sued for damages by his former employers.

In a High Court writ issued yesterday, Woolworth is seeking damages against Mr Parkinson for breach of contract and/or breach of confidence. In addition, the high street retailer has been granted an injunction against Mr Parkinson, preventing him from disclosing documents or confidential information obtained while working for Woolworth. An injunction was also granted against the Evening Standard, and journalist, Mr Stephen Hargrave – both named in the writ –preventing them from publishing confidential information received from any present or former director of Woolworth Holdings.

Yesterday, Woolworth said that the injunctions concerned the use of highly confidential commercial information contained in board papers belonging to Woolworth Holdings and related for matters that took place during the summer.

"Although the context is now historic," added Woolworth, "the information remains highly confidential and for that reason it is essential for Woolworth Holdings to be able to preserve that confidentiality."

During the summer, Woolworth Holdings was widely rumoured to be a possible suitor for Storehouse, whose various chains include BhS, Mothercare, Habitat and Richards Shops. Woolworth itself has consistently refused to comment on the rumours.

Yesterday, however, Sir Terence Conran, chairman of Storehouse, commented that it was "well-known" that several retailers had approached Storehouse during the summer. "The answer in all cases was no, we were not interested in being broken up," he said. "If any of them wished to go ahead with a bid that was their perogative." Woolworth, together with a couple of other high street retailers, disposed of small shareholdings in Storehouse in late-September.

Mr Parkinson left Woolworth in early November, and the reasons for his departure have never been fully explained. Ten days after leaving Woolworth, it was announced that Mr Parkinson would be joining Benlox. He was appointed to the board later that month. Last night, he was not returning calls.

The Benlox offer is due to reach its third close on Friday, with day 60 of the bid being the following Monday. Yesterday, Mr Peter Earl, another director, said that the company had no comment to make "on things relating to other people".

Morgan Crucible in £37m acquisition

BY STEVEN BUTLER IN LONDON AND JAMES BUCHAN IN NEW YORK

Morgan Crucible, the industrial materials and electronics group, yesterday unveiled the $68m (£37m) acquisition of the *Insulating Products Group (IPG)* from McDermott International, of the US, to be financed in part by a £30m issue of convertible preference shares.

IPG, whose parent company recently experienced severe losses, manufactures and distributes high temperature insulating bricks used in the petrochemical and other industries. Dr Bruce Farmer, Morgan Crucible managing director, said the acquisition would fit with Morgan Crucible's ceramic fibre business in the UK and Europe and make it one of the leading companies in the world in this field.

IPG reported profits of £7.4m in the year to the end of March on a turnover of £71.7m, compared to £8.2m and £78.1m respectively in the previous year.

Morgan plans to lower production costs at IPG by the introduction of new technology, and expects to increase the marketing of Morgan Crucible products through IPG's distribution system, as well as to increase exports of IPG products through Morgan Crucible.

Dr Farmer said that he now saw the US as a low-cost manufacturing base and planned to invest in new manufacturing facilities with an eye toward exports.

The preference shares carry a dividend of 7.5 per cent net, which is equivalent to a gross yield of about 10¼ per cent. The shares will be convertible from next year at 275p, compared to yesterday's closing price of 242p for Morgan Crucible shares, which were off 10p on the day.

Morgan Grenfell, advisors to Morgan Crucible, said the shares were successfully placed yesterday, subject to an offer to shareholders who may apply one preference share for each 3.855 ordinary shares held. Morgan Grenfell said the convertible preference shares were chosen over an equity issue in light of market conditions, and it was hoped that market conditions would attract an early conversion of the shares. McDermott, whose marine construction business has been severely depressed by the recession in the US oil and gas industry, suffered a disastrous loss in October on its portfolio of US Government securities.

McDermott, which is based in New Orleans but incorporated in Panama, lost $285m before tax when it became anxious about a rise in interest rates and sold off its $1.3bn holding in long-term bonds at below-par prices in the summer. Bonds then rallied strongly after the stock-market crash in October.

The group, which bought Babcock & Wilcox in 1978, has depended on bond income and its capital gains for its reported profits since oil prices collapsed in 1986. The company has enjoyed income and gains on the portfolio of $305m since 1986, but lost $46.1m on operations in 1986 and $92.2m in 1987.

KIO lifts its stake in BP to over 15%

By Richard Tomkins

THE KUWAIT Investment Office yesterday declared that its stake in British Petroleum had passed the 15 per cent point at which stock market analysts had expected the buying to stop. It now has just under 896m shares, or 15.02 per cent of BP's equity.

The KIO said it had nothing to add its earlier statements to the effect that it saw BP as a good long-term investment.

The breach of the 15 per cent level means that the KIO is no longer allowed to accumulate more than a further 10 per cent of BP's equity on a rolling seven-day basis, and that purchases have to be declared within 24 hours. If the stake reaches 30 per cent, the KIO must bid.

Britoil at 406p on bid rumours

Britoil shares rose 14p to 406p yesterday during active trading as the market waited for an announcement from the two rival suitors, British Petroleum and Atlantic Richfield of the US.

BP said yesterday morning that its tender offer last week at 300p for 15% of the shares had failed to attract 5.1m shares , so that the tender offer had lapsed.

After Atlantic Richfield offered to buy up to 29.9 per cent of the company at 350p on Friday, BP said it would buy Britoil shares for more than that figure when its tender offer expired.

Firmandale banned from voting TR Tech stock

BY NIKKI TAIT

TR Technology, a £300m investment trust and part of the 11-strong Touche Remnant stable, yesterday won a High Court order, barring its 27 per cent shareholder, Jersey-based Firmandale Investments, from voting its stake.

The order imposes the restrictions set out in part XV of the 1985 Companies Act. Apart from the ban on voting rights, these also prohibit the transfer of the shares involved. According to TR Technology, the order was applied for "because both it and its advisers were dissatisfied with the response received from its investigation of the interests in those shares under section 212 of the Companies Act".

Yesterday, however, Berkeley Govett – the fund management group and advisers to Firmandale – said that it planned to challenge the order. "We will go back and argue that we have complied with section 212," said Mr Arthur Truegar, chairman of Berkeley Govett, "and hope to get the order removed".

Firmandale first disclosed a holding in TR Technology in early-October. Initially, its advisers - Berkeley Govett - and had discussions over a future reconstruction of the trust, but proposals were then rejected by the TR Technology board.

At the beginning of December, Firmandale requisitioned an extraordinary meeting at which it planned to ask TRT shareholders to consider turning the fund into a split level investment trust and giving Berkeley Govett a share in the management. Earlier this week, the requisition notice was withdrawn "as a goodwill gesture" in the hope that talks might restart.

However, TRT and its advisers, Morgan Grenfell, maintain that "if we are going to have discussions, we have got to know who we are talking with". According to the TRT share register, two and a half months of inquiries have elicited that there are four ordinary shares in Firmandale (with one vote each) and one special preference share (entitled to one vote.) The ordinary shares are held by Hong Kong-based Reserve Assets, as nominees for Firmandale Trust; the beneficiaries of Firmandale Trust are Francis James Truscott Mullens and James Robert Hinchcliffe. The prefence share belongs to Jemma Trust, based in Jersey, acting as trustee for a discretionary trust, known as the Firmandale Jersey Trust.

In addition, Firmandale has disclosed the names of nine banks financing Firmandale: they comprise Union Bank of Switzerland, Swiss Bank Corporation, Credit Suisse (Singapore branch), Commerzbank (South East Asia), Swiss Canton Bank International, West Deutsche Landesbank, Bank Leu, Handelsbank NW, and Bank in Leichtenstein.

Not on the list is JHI Finance, which was named earlier by Berkeley Govett as part of the consortium financing Firmandale. JHI Finance is part of James Hardie Industries, the Australian company, which holds a 20 per cent stake in Berkeley Govett.

Electra Investment progress

Electra Investment Trust, which has a particularly high proportion of its investments in unlisted securities, yesterday announced a 62 per cent increase in fully diluted net asset value per share in the 18 months to September –but also reported a near 26 per cent drop in the wake of the stock market crash.

Attributable profits totalled £11.48m in the 18 month period from April 1 1986 to September 30 – an extended period covering a change in Electra's accounting reference date. That was an increase of 11.87 per cent on an annualised basis and compared to £6.84m in the year to March 1986.

Net assets attributable at September 30 totalled £498.26m, compared to £293.05m on March 31, 1986, an increase of 70 per cent. This compared with an increase in the FT-All Share index of 49.16 per cent over the 18 months. Adjusted for full dilution, it represented net asset value per share of 306.52p, compared to 189.32p 18 months earlier.

Electra said it had also taken an exceptional second, unaudited valuation of the portfolio at November 23, after the market crash. This showed fully diluted net asset value per sdhare of 226.95p, ,down 25.96 per cent since September 30. Over the same period the FT-All Share fell 31.37 per cent.

Mr Michael Stoddart, the chairman, said the results were particularly satisfactory,given that investing in unlisted securities and the associated conservative valuation policy for that activity normally meant Electra underperformed the listed indices in strong bull markets.

Factors contributing included the accelerated maturation process of many unlisted investments and the good performance of many companies' shares after flotation.

By late summer the proportion by value of quoted investments in the portfolio had risen to about 60 per cent and it had started to redress this by reducing holdings. By the time the market broke, it had sold over £40m of such investments.

The final dividend is 2.3p , making a total of 6.7p for the 18 month period, equivalent on an annualised basis to 4.47p a share, an increase of 9 per net.

Viking slips to £957,000

Viking Packaging, manufacturer of plastic packaging materials, as expected saw pre-tax profits fall in the year to September 30.

In that month it said that profits would be lower than the £1.27m last year because of increases in raw material costs. In the event, profits fell to £957,000

After tax of £333,000 (£461,000) earnings per 10p share fell from 10.4p to 6.9p. The directors proposed a final dividend of 2.34p for a total of 3.5p.

H.Barrett in £3.8m deal

Henry Barrett, steel building, services and industrial fastening group, is establishing an operating division for materials handling with the £3.825m acquisition of Park Pallet.

The acquisition is being funded by an issue to the vendors of 3.46m new ordinary shares, 2.3m of which were conditionally placed at 106p, subject to a one-for-6.28 offer to shareholders. Henry Barrett shares closed unchanged yesterday at 116p.

Hatfield Estates placing price cut by share fall

THE EFFECT of October's stock market crash on new issues is illustrated by flotation of **Hatfield Estates,** a construction and property development company, on the Unlisted Securities Market.

Hatfield is joining the USM at a placing price of 100p compared with the 140p which the company had been considering before October 19 - "Black Monday". The group is also placing just 10 per cent of the equity, the minimum permissible on the USM, whereas it had planned to issue a higher percentage before the crash.

Guidehouse Securities is placing 750,000 ordinary Hatfield shares giving the group a market capitalisation of £7.5m. Based on last year's pre-tax profits of £1.6m, the shares will be on a historic p/e of 6.5.

Hatfield largely operates in the northern suburbs of London - and recent projects include an equine operating theatre for the Royal Veterinary College and a retail warehouse in Welwyn Garden city. Around 70 per cent of its building work is done for third parties.

Fisons $4m US buy

Fisons has acquired Markson Science, an Arizona-based mail order distributor of laboratory scientific equipment and supplies for $4m (£2.19m).

Markson, the second largest mail order laboratory supplies company in the US with annual sales approaching $5m, will join the Houston-based Curtin Matheson Scientific, part of Fisons Scientific Equipment division.

Moorgate Inv. up

Moorgate Investment Trust had a net asset value of 187.9p per share at November 30 1987.

An interim dividend of 1.9p (1.67p) was declared. A final of not less than 4.3p was foreshadowed.

WCRS expansion

WCRS Group, the UK communications group, is expanding its direct marketing activities with the acquisition of Cohn and Wells, a San Fransisco-based company specialising in direct response marketing.

The maximum total consideration for the acquisition is $14.8m (£8.2m) tied to performance over the next four years. In the year to December 1986, pre-tax profits were $1.15m

Emess sells MDC

Emess has sold its MDC International division for £1.8m to its management team led by Mr Paul McCarthy. MDC produces laminated lampshade materials from its plant at Acton and had pre-tax profits of £230,000 on sales of £2.6m in 1986. Consideration has been satisfied by the issue to Emess of £1.5m 7.3 per cent cumulative preference shares 1989-93 with the balance in cash at completion.

Public Works Loan Board rates

Effective December 15

Years	Quota loans repaid by EIP†	Quota loans repaid A††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A††	Non-quota loans A* repaid at maturity§
1			8¾			9¾
Over 1 up to 2	8¾	8¾	9	9⅝	9⅝	9⅝
Over 2 up to 3	9	9	9⅛	10	10	9⅞
Over 3 up to 4	9	9⅛	9¼	10	10⅛	10
Over 4 up to 5	9⅛	9⅛	9⅜	10⅛	10⅛	10⅛
Over 5 up to 6	9¼	9¼	9½	9⅞	9⅞	10
Over 6 up to 7	9¼	9⅜	9⅝	9⅞	9⅞	10⅛
Over 7 up to 8	9¼	9⅜	9⅝	9⅞	9⅞	10¼
Over 8 up to 9	9⅜	9⅜	9⅝	9⅞	9⅞	10⅜
Over 9 up to 10	9⅜	9½	9⅝	9⅞	10	10⅜
Over 10 up to 15	9¼	9⅝	9⅝	10⅛	10⅛	10⅜
Over 15 up to 25	9⅝	9⅝	9⅝	10⅜	10⅜	10⅜
Over 25	9⅝	9⅝	9⅝	10⅜	10⅜	10⅜

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Borthwicks slides into the red

BY MIKE SMITH

Borthwicks, food manufacturer and international trader, yesterday reported annual results which Mr Lewis Robertson, chairman, described as unacceptable. Pre-tax losses were £2.1m, against a profit in 1986 of £1.17m.

The losses for the year to September 1987 compared with analysts' expectations nine months ago, when confidence in the company was high, of profits in excess of £4m. In August, however, Borthwicks warned shareholders to expect little or no profits.

Mr Robertson said yesterday that results for the half year would "not be good but the indications for the year as a whole are somewhat better."

Losses per share were 4.4p, against earnings of 1.5p, and there will be no final dividend.

Borthwicks will in future concentrate on expanding the smallest division, food products, which last year contributed £26m (£24.1m) to group turnover of £282.21m (£353.9m).

Mr Robertson said that the company would further reduce its dependence on UK meat handling. The Australian operation, which is the biggest contributer to international profits, is exposed to fluctuations of weather, trade and currency, and is also under review.

Last year's results reflected problems in international commodity trading as well as management difficulties and tough markets for the UK meat division. A special low-fat meat product, codenamed Mango, was also taking longer to develop than expected.

Mr Robertson said marketing for Mango had outrun manufacturing capabilities. The product was, however, still capable of producing good profits and a joint venture was being considered for its development. Development costs for Mango resulted in a £1.26m exceptional provision.

Below the line, Borthwicks made an extraordinary provision of £1.6m, which included costs for remedial action in the UK meat division and disposal clearing-up.

Debt fell to £15m by the year-end, against a peak several years ago of £95m. The company has resumed normal banking relationships with a much reduced number of banks.

● comment

Horrific though these results were, the market was prepared for them and it preferred to look forward yesterday rather than reflect on history. Comfort came from the company's strong hints that it intends to pull back from Australia and get out of slaughtering in Britain. As abattoirs are in the books at considerably less than their real worth and Australian borrowings are high; the effect would be a significant reduction in the present gearing level of 70 per cent. Borthwicks could then concentrate on building up its relatively successful food products business. It is all fine in theory but it requires an awful lot of work and, although the management has been strengthened, Borthwicks's record, both distant and recent, is not inspiring. Assuming the company can achieve pre-tax profits of about £1.5m this year - and that is by no means assured - the shares, at 38p, down 1p, are trading on a p/e of about 13. With net assets at about 40p and the worst presumably over they are unlikely to fall much further. But nor are they likely to outperform until the company turns its hints on the future into action.

Midsummer surges past £2m mark

Midsummer Leisure, the fast-growing developer and operator of public houses, discotheques and snooker clubs, yesterday reported pre-tax profits more than doubled from £1.08m to £2.33m in the year to September 30, 1987.

Strong growth was being maintained in the current year, new acquisitions had already been made and the process of development had continued.

Midsummer said its newly expanded management team was eagerly anticipating the challenges that lay ahead and the company was confident that 1988 would be another record year.

Turnover in 1986-87 surged from £7.65m to £17.52m. After tax of £260,000 (£12,000) earnings per 25p share grew from 13.1p to 17.3p. The final dividend is 2.5p making a 4p total.

In October, the company withdrew its £270m bid for Manchester-based brewer Boddington, in the face of opposition from two of the brewer's largest shareholders. The two, Whitbread Investment Trust and Britannic Assurance, with the board controlled about 34 per cent of the votes in Boddington.

Midsummer's 2.1 per cent stake in Boddington was subsequently sold.

● comment

Midsummer Leisure's rapid expansion appears to have left the company just slightly out of breath. After three years, one or two tiresome factors seem to have caught up with it. Operating costs almost trebled, and the company has been hit by a huge increase in tax, albeit from almost nothing. Midsummer is understandably eager to talk of its plans for the once troubled Riley Leisure, with which it will doubtless do a far better job than the previous management. Having lost £40m on Boddington's shares, it still sees plenty of "substantial opportunities in regional brewing." However, the company is less forthcoming on how much growth is due to acquisitions made in the year to 1986. This makes it harder to judge its ability to produce long-term growth once the initial turn round benefits following an acquisition have worn off. And the company seems to protest too loudly about a fallen share price which still leaves it on a prospective p/e of 13½, on forecast profits of £6m. On earnings growth of 32 per cent in 1987, this seems fair enough.

ERF makes sharp recovery

A SUBSTANTIAL increase in UK truck business with vehicle registrations up by 55 per cent compared with the same period last year was reflected in a substantial recovery in pre-tax profits of **ERF (Holdings)** from £62,000 to £1.6m for the 27 weeks to October 31. Turnover for the period rose from £35.16m to £52.06m.

After tax of £71,000 (nil) earnings per 25p ordinary were 19.4p (0.2p). On a notional 35 per cent tax charge on UK profits and 50 per cent on South African profits, the EPS would be 12.7p. The major part of the convertible loan stock has now been converted to ordinary leaving only £9,110 outstanding which is to be redeemed at the earliest opportunity on March 31, 1988.

Mr Peter Foden, chairman, says UK vehicle orders have remained buoyant during the third quarter and the company is confident that the higher level of sales will be continued for the remainder of the year. Customer acceptance of the 'E' series range has been very encouraging and with a healthy order book, current production is at record levels.

Elsewhere export markets continue to be difficult, especially in the Middle East. The plastic business again produced acceptable profits in a very competitive market.

In view of this high level of activity, the board expects the final year results to be satisfactory. Having settled the arrears of preference dividend by an issue of new ordinary, the company resumes payments on the preference and ordinary capital.

There is an interim dividend of 2p; the last payment was made on August 11, 1982.

Northamber up sharply to £1.86m

Northamber, a supplier of computer printers and peripherals, doubled turnover to £24.88m in the half year to October 31 and pre-tax profits increased substantially from £1.01m to £1.86m.

Earnings per 5p ordinary go up from an adjusted 4.2p to 7.6p after tax of £652,000 (£340,000).

The directors said the second half had started extremely well and in keeping with the policy of organic diversification the company continued aggressively to seek further opportunities to expand markets.

They said cash flow remained comfortable, though Northamber would have extra commitments if full advantage was to be taken of the new distribution opportunities.

Marginal rise at Eve Const.

Eve Construction, building contractor and civil engineer which joined the USM in September 1986, revealed a marginal increase in pre-tax profits to £1.48m in the half year to end-September, 1987.

Turnover, however, expanded by 33 per cent to £19.52m, and Mr Roger Ames, chairman, said that the lower ratio of profit to turnover was attributable to changes in the type of work completed. The profit ratio for the full year was not expected to alter significantly, he added.

An unchanged interim dividend of 1.5p is being paid from earnings of 10.3p (10p) per share.

The second half has start well with a number of new contracts totalling £5m awarded to the group. The Trakway temporary portable road system was now being marketed in France, while Eve had also won the contract to replace the artificial playing surface at Queens Park Rangers' Loftus Road ground with its Cellsystem natural turf pitch.

Chemring rises 26% and order prospects good

Chemring, Portsmouth-based manufacturer of electronic countermeasure products such as radar chaff and which takes in the Pains-Wessex pyrotechnic operation, increased taxable profits by 26 per cent to £3.85m in the year to end-September.

Mr Ian Fairfield, chairman, said that the group's order prospects were good. The financial base had been strengthened and continued steady expansion and profit growth was expected.

Sales rose to £21.53m (£19m). After tax of £1.38m (£1.14m), and minority debits of £21,000 (£11,000), earnings per share came out at 62p (54p) on a nil distribution basis and at 51.6p (51.1p) on a fully diluted basis. The final dividend is set at 12p making 18.6p (16.5p) for the year.

During the year, Chemring was awarded a substantial and ongoing contract against British and American competition for the supply of Sea Gnat Chaff ammunition to the Royal Navy.

Caffyns advances 55%

Caffyns, the Sussex-based motor distributor, increased taxable profits by 55 per cent to £1.15m in the six months to end-September.

The outcome was scored on turnover up from £54.43m to £58.95m, and took into account operating charges of £6.26m (£5.95m), a reduced interest charge of £471,000 (£626,000), and an exceptional profit of £201,000 (£208,000) from the disposal of properties after deducting rationalisation costs.

After tax of £67,000 (£61,000), earnings per 50p share rose 64 per cent to 32.1p (19.6p).

The interim dividend is raised to 4.2p against 3.2p last time.

Tops Estates profits more than doubled

Tops Estates, property investment, more than doubled its taxable profits from £121,000 to £302,000 in the six months to September 30.

The directors said that rental income from thefreehold shop portfolio continued to show satisfactory increases arising from re-lettings and rent reviews.

Tax charges accounted for £72,000 (nil) and earnings per share rose from an adjusted figure of 0.382p to 0.719p.

In March, the company received £8.05m from an issue of £976,097 7½ per cent convertible unsecured loan stock 2014 and bank loans were repaid. Some £4.3m was held on short-term deposit.

Thornton rises over 12%

G.W. Thornton Holdings, manufacturer and marketer of high-precision forgings for the aerospace and medical industries, lifted taxable profits by over 12 per cent in the 53 weeks to October 3, its first year-end results since joining the USM in March.

On turnover down from £8.62m to £8.5m, profits jumped from £651,000 to £732,000 in line with a forecast of not less than £725,000. After tax of £260,000 (£226,000) earnings per share fell from 14.2p to 12.4p. The directors proposed a final dividend of 2.25p, making 3.75p for the year.

The directors said that the current year had started well and the company's forward order position for forgings was at a record level. Craftsman tool sales continued to expand and the mining equipment subsidiary was now making a positive contribution.

In November, Thornton acquired the Computer Services Company and Greenwood Taylor Clark Systems and these were both currently performing in line with expectations.

FT–ACTUARIES YEAR–END CHANGES

At the year-end review of the FT-Actuaries share indices, it was decided to delete the following companies: Lec Refrigeration (04), Systems Reliability (05), Folkes Group (06), MS Intnl.(06), Ricardo Cons. Engineers (06), Whessoe (06), Edbro Hldgs.(09), Cullens Hldgs.(26), Electronic Rentals (29), Morceau Hldgs.(42), Jacobs (John I.) (45), Isotron (48), Brit. Borneo Petroleum (51), Sidlaw (51), F.and C. Enterprise Trust (71) and Bertam Hldgs. (91).

The following companies will be added: Carclo Engineering (06), C.H. Industrials (10), GRA Group (29), Landleisure (29), Midsummer Leisure (29), Wace Group (32), Alexandra Workwear (35), City and Foreign Hldgs. (to be renamed Alexander Proudfoot soon) (41), Reed Executive (41), Tibbett and Britten (45), Astra Hldgs. (48), J. S. Pathology (48), Pittard Garner (48), Thomson T-Line (48), Asda Property (69), Dares Estates (69), Grainger Trust (69) and Baltic (70).

There will be no reclassifications.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Arm Group, Business Mortgage Trust, Celestion Industries, G.M. Firth, Halma, London Merchant Securities, MS International, John Swan.
Finals- Bankers Investment Trust, Bradstock, Brammer Investment Trust, Cifer, Grand Metropolitan, Hewtin, Kleinwort Charter Investment Trust, Macarthy, Watson and Philip, Wiseway.

FUTURE DATES

Interims-	
ASDA-MFI	Jan 18
Elys Group	Dec 18
Toad Holdings	Jan 12
Finals-	
Blick	Jan 19
Isle of Man Enterprises	Dec 22

NZ board may widen wool price support

THE NEW Zealand Wool Board is considering buying New Zealand-type wools grown in other countries in order to promote price stability, **reports Reuter from Wellington.**

Mr Pat Morrison, the board's chairman, said that offshore purchases would become part of the board's stocks and be freely available to the international trade.

All transactions would be through export houses in the overseas countries, he explained. Purchases would be on a selective basis targetted on particular types, with the board likely to hold only small stocks offshore at any one time.

Mr Morrison said small quantities of comparable wools from other countries sometimes depressed prices to New Zealand growers.

"The problem can be compounded in some countries where grower organisations like the board do not exist to stabilise the market," he said.

"The recent suggestion that wool from South America may be sold at New Zealand auctions in an attempt to lift South American prices closer to New Zealand prices, highlights the current problems in the international wool market."

He expected the purchases to assist both New Zealand growers and international processors.

EC Ministers thrash out compromise fish deal

BY TIM DICKSON IN STRASBOURG

EUROPEAN COMMUNITY Fisheries Ministers yesterday ended a bruising all-night negotiating session with a breakfast time agreement on new catch limits for 1988.

The accord came after a carefully worded compromise by the Danish presidency and the European Commission had removed a number of major hurdles, including the problem of migrating mackerel in the North Sea and access to the Spitzbergen fishery off the coast of Norway.

The final deal on so-called Total Allowable Catches and quotas for a wide range of species nevertheless left a sour taste in the mouth of some member states, and underlined the growing pressures on the Community's fishing fleet since the introduction of the Common Fisheries Policy in 1983.

This set up the system of TACs and quotas, designed to prevent over-fishing and conserve threatened species, but increasingly unpopular with some Community fishermen who interpret the limitations it imposes as a challenge to their livelihood.

It was not altogether clear which member states voted against yesterday's package – carried by a qualified majority – but Spain and Portugal, which between them account for half the EC's fishing capacity, and to a lesser extent France, were clearly dissatisfied with the results.

As one Commission official explained, the mood was not improved by the terms of some of the fishing agreements negotiated with non-EC countries, which were also approved yesterday.

"There is a gradual tightening of the screw, which is obviously proving uncomfortable for some member states," he said last night.

In the end, several key concessions were made in the compromise, which at least partially relieve the pain. TACs for Western herring, Channel cod and Western haddock, for example, were among those increased beyond the Commission's original figures – in some cases beyond even the most generous scientific advice, said Britain – while the EC share of the key Western mackerel TAC, which had been the subject of lively dispute, was reinstated to 372,000 tonnes (the same as this year's level).

The problem of mackerel migrating to the East of the so-called four degrees West line running to the north of Scotland – making pursuit by Scottish fishermen illegal – was sorted out by a council declaration inviting the commission "to examine possible solutions to such problems" by March 31 next year, and an undertaking that the Council will "consider any solution that may be proposed by the Commission by May 31 1988."

The Commission, meanwhile, was forced to climb down after strong West German objections to the proposal to limit fishing for cod in the German Bight to nets with a minimum mesh size of 120 mm in the first and last three months of the year. A mesh size of 100 mm will now be permitted.

Some of the most bitter exchanges, however, were those devoted to the Community's share of cod in the Spitzbergen fishery (a matter of particular interest to Spain and France).

The Commission's consent to what will ultimately be an increase from 21,000 tonnes to 23,000 tonnes in the relevant TAC also helped secure the Council's adoption of the bilateral agreement negotiated by the Commission with Norway.

The outcome of the EC fishing talks was described yesterday as "very satisfactory for the UK" by Mr John MacGregor, the UK Fisheries Minister, writes Our Commodities Staff. **The British fishing industry should be highly satisfied with the outcome of the tough negotiations, he said.**

UK fishermen could look forward to increases in the total allowable catches on 26 fish stocks, as well as higher guide prices for white fish and greater protection for the nation's fishing stocks in the New Year.

Canadian farmers to get £1.2bn aid

By Robert Gibbens in Montreal

CANADIAN farmers mainly western grain producers will get almost C$4bn in direct cash payments from the Federal Government this year representing 22 per cent of total cash revenues as up from C$2.9bn (£1.2bn) in 1986.

The subsidies, plus provincial aid programmes, will keep the western grain economy afloat in the worst conditions since the Great Depression. Canadian dollar prices are down about half from the 1980-1981 peaks

Department of Agriculture officials say about 35 per cent of the average farmers' income goes to debt service and at least ten per cent of western grain farmers are in serious financial difficulties.

The livestock industry has recovered, however, and is doing well.

Farm problems in the east are less serious because of a prosperous dairy products industry and more diversification of crops

Wheat prices are expected to begin a recovery, from the present lows during 1988-1989 as world wheat production comes closer in line with consumption. Canadian wheat prices are now around C$183 a tonne. Barley and maize will take longer to recover, because of continuing overproduction.

US forced to cut sugar import quotas by 25%

BY NANCY DUNNE IN WASHINGTON

MR RICHARD Lyng, the US Agriculture Secretary, said it was "difficult and painful" but, forced by law, he has slashed US sugar import quotas by 25 per cent to 750,000 short tons.

The secretary has consistently backed legislation to reduce US sugar price supports and depress US production to make way for imports. The quotas will tighten still further the economic noose around the necks of many poor developing nations. World market prices were virtually unaffected by the quota cut.

Traders, who had expected a 700,000 to 800,000 ton quota, were focusing instead on potential new sales to China, the Soviet Union, India, Indonesia, and Venezuela stemming from poor crops in Cuba and the Soviet Union, according to Miss Judy Weissman, an analyst with Shearson-Lehman.

Brazil, she said, is rolling forward some deliveries scheduled in mid-1988 to meet the demand and Thailand is expected to ship 300,000 tons. Under the new limits, the quota for the Dominican Republic dropped from more than 160,000 tons in 1987 to 123,200 tons for 1988.

The quota for the Philippines, slashed by 75 per cent over the last four years, was cut from almost 144,000 tons last year to 110,600 tons.

The quota cuts are required by a 1985 law, which ordered the USDA to run the US sugar price support programme at no cost to the Government. As long as US producers continue to increase production – which is expanding rapidly – and demand shifts to maize sweeteners, then imports must fall.

So far, they have declined from about 5m tons in the late 1970s to only 1m this year. The sugar producing nations may get some relief, however. A congressional conference committee yesterday was scheduled to vote on a measure which would give the Caribbean nations and the Philippines the right to ship an extra 400,000 tons to be refined and re-exported.

The USDA would have to pay the costs of subsidising the re-exported sugar, bought at the high internal US price but sold at the world price. Thus, the administration is fighting the scheme, which it says is a short-term palliative.

WORLD SUGAR consumption looks increasingly likely to outstrip production substantially for the 1987/88 season, according to the latest Gill & Duffus Sugar Market Report, writes Our Commodities Staff.

The London trader has raised its estimate for world production this season by 400,000 tonnes to a total of 102.4m tonnes raw value from an earlier forecast of 102m tonnes. But its forecast for consumption has been raised by 800,000 tonnes to 104.9m tonnes.

Gill & Duffus estimates that the 2.5m tonnes gap between production and consumption will leave end of season stocks at 34.6m tonnes – about 33 per cent of expected consumption.

India delays cotton futures

INDIA WILL not restart cotton futures trading for the time being because of fears of price rises due to hoarding following a severe drought and delays in getting the crop to market, traders said, **reports Reuter from Bombay.**

The East India Cotton Association said the Government recently prevented a resumption of trading.

"In the last few months EICA has set up facilities for resuming cotton futures trading but may have to wait till the next season, depending upon the crop situation," said Mr D. Damle EICA, an association advisor.

The association has been demanding the resumption of cotton futures trading for the last few years during which cotton output has risen and the Government has released large quantities for export.

Last January the Government conceded the association's demand for resumption of futures trading in view of the comfortable level of stocks from the record crop of 11.5m bales of 170 kgs in 1985/86 (September/August).

Mr Damle said the changed supply situation meant the Government now feared futures trading would spur further price rises due to hoarding by speculators.

While futures trading would help genuine users book their stocks in advance with sellers, he said there was no fullproof system to prevent hoarders from taking advantage.

Mr Damle said unseasonal rains last month had delayed the cotton harvest and arrivals in the market, leading to short supply and a sudden rise in prices. Farmers were also holding back their stocks in the hope of getting higher prices for their produce, he added.

The official Cotton Advisory Board has provisionally estimated the 1987/88 crop at 9.5m bales, unchanged from the previous year.

The board puts current season supply at 11.5m bales, including a carryover of 2m bales from last season, against a demand of 10.05m bales, leaving a balance of 1.45m to be carried over.

But the Indian Cotton Mills' Federation puts the 1987/88 crop at only 9m bales and has asked for immediate imports of 1m bales.

Even the CAB estimated balance of 1.45 mln bales is far below the three months' stocks, of two mln bales, that mills are compelled to maintain, it said.

"The situation on the cotton front is critical. Without the back-up of imports, cotton prices are likely to shoot up further," said Mr Satish Modi, the federation president said.

Prices have risen 50 per cent in the last year, with the popular Shankar-6 variety rising 1,500 rupees to R4,500 (£190) per bale. This has hit mills badly, pushing several close to closure, he said.

Indonesia's coal plan behind schedule

BY JOHN MURRAY BROWN IN JAKARTA

THIS WAS to have been the year in which Indonesia became a net exporter of coal. That the target date has now been officially revised is a reflection of the uncertainty of world markets and the confusion in Indonesia's own domestic coal policy.

Some five years after signing contract of work agreements not one of the eight foreign mining companies has yet started commercial production. Indeed an Indonesian joint venture with two US companies, Atlantic Richfield and Utah International, recently had a trial coal consignment rejected by PLN, the state-run electricity utility, because the ash content was too high.

Meanwhile PLN continues to tender for overseas coal, principally from Australia, to run its 400mw power plant at Suralaya in West Java, which supplies Jakarta. The state-run Bukit Asam mine in South Sumatra – a $1.12bn investment, 60 per cent funded by the World Bank, which was to have fully supplied Suralaya – faces a long list of problems. Its jetty points the wrong way, its rail line is not strong enough to carry the load and its coal terminal is actually sinking.

Dr Soetaryo Sigit, the director general of mines at the Ministry of Energy, insists that the Government's plan is unchanged. "As far as domestic consumption is concerned our coal policy remains," he says, insisting that Indonesia will be fully self-sufficient by 1993.

It is Government policy to diversify energy supply away from oil, hitherto the country's main source of electric power generation, accounting for 67 per cent of production as at March 1986. Coal reserves are conservatively estimated at around 28bn tons – equivalent to five times combined oil and gas reserves. Yet coal currently makes up only 14 per cent of total power generation of 5,635 mw.

While supporting the diversification strategy, some foreign contractors worry that they may be excluded. "There is no commitment in the long term to Kalimantan (the main area of foreign interest). To develop such low quality deposits we have to have guaranteed base load business in Indonesia," comments one contractor. Some are looking to sell to Indonesia's expanding cement industry, while others hope to tie up business with PLN.

Meanwhile, like companies in the oil business, coal contractors are now gently lobbying for an improvement in the terms of the original agreement. Contractors currently get 86.5 per cent of all output to cover cost of production and profits.

In today's world coal market many consider the terms onerous and one-sided. For example companies currently have to pay a 13.5 per cent royalty to the Government. According to one miner, "this means you work for one month every year for nothing."

While Indonesia may enjoy cheap labour it lacks skills. If it takes 700 men to work a mine in Australia, and 1,000 in South Africa it is said to take around 2,000 for a comparable operation in Indonesia.

In addition Capital costs involved developing prospects in Kalimantan can be awesome. Many contract blocks are located far from the coast where there is little or no infrastructure. When dealing with big tonnages river freight and the use of logging roads is ruled out.

Futhermore the naturally shallow eastern seaboard of Kalimantan prevents vessels of more than 10,000 tonnes from mooring to load the export coal. Freight charges for such small shipments work out at about $5 per tonne. On top of this as much as 20 per cent of the cargo is water content, a feature of the Kalimantan coal.

According to one independent estimate, there are just two sites which stand some chance of success – British Petroleum's joint venture with CRA of Australia and a South Korean joint venture called Kideco.

The BP-CRA prospect for example is sited about 20 km from the shore, where deep water allows larger tonnage vessels with greater draught to take on the coal. The coal itself is said to be high calorific quality, with low moisture and low ash.

Trial shipments have been sold to major utilities in The Netherlands and Hongkong and the results should be known early next year. Cargoes hav also been sent to Japan and South Korea.

According to officials in Jakarta, 2m tons of the mine's proposed 6m ton annual output, is destined for customers in Europe with the balance going to Far East buyers.

More optimistically some analysts now believe prices for seaborne traded steam coal may be improving. Trade in steam coal is currently put at about 140m tons a year, which represents between 5 per cent and 10 per cent of total world production. For metallurgical coals, as used in steel manufacture, over 60 per cent of the 220m ton is actually traded. The result is that steam coal prices tend to be more volatile, and linked to supply demand factors rather than cost of production.

Firmer prices may encourage the foreign investor and should spur the Government to its self sufficiency goal.

Longer term prospects for Indonesian coal remain unclear, however. The Government has recently decided to switch 2 of the 10 units of the proposed Paiton 400 mw power station in East Java from coal to gas. And gas is to be used for the Gresik power project, also in Java.

Official vacillation is in many ways the result of the sheer wealth of energy sources at the Government's disposal, from oil and gas, to coal, hydro and geothermal. There is even talk of installing a nuclear power plant, using natural uranium from Kalimantan.

Unleaded gasoline options approved

BY DEBORAH HARGREAVES IN CHICAGO

THE NEW York Mercantile Exchange (Nymex) is set to launch an unleaded gasoline options contract after receiving regulatory approval last week.

Nymex, which has been trading unleaded gasoline futures for three years, said its Board was due to meet next month to fix a start-up date for the options. The contract launch is expected to coincide with the major driving season that runs from May to August.

The new contract's specifications parallel those of the futures contract which trades 42,000 gallons or 1,000 barrels per contract.

Nymex is looking for a healthy start to its gasoline options in the wake of its successes with crude oil and heating oil options in the last couple of years. The exchange reports strong interest from the trading community in the new contract. The addition of the options offers interesting "crack spreads" for traders already trading on the relationship between futures in crude, heating oil and gasoline.

Meanwhile, Nymex expects to submit its delayed natural gas futures contract to the Commodity Futures Trading Commission for approval next year. The contract, which has been under development for several years, had been held up by the difficulties of providing a means of delivering natural gas.

Last week, however, four pipelines in Texas applied to the Federal Energy Regulatory Commission for approval to set up Interchange service near Katy in Texas. The Katy Interchange Service will facilitate delivery resulting from Nymex's natural gas futures transactions as well as spot deliveries.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES continued to rise on the London Metal Exchange, underpinned by news that Spain's biggest aluminium plant had closed down because of a strike. Management at the state-owned Alumina–Aluminio plant has said it could take six months to restore normal production. Continued demand for cash metal raised the backwardation, or premium for cash metal over three-month metal, to £50.50 a tonne, compared with Tuesday's £36. Nickel prices also continued to rise strongly, with the second position contract breaching the £4,000 a tonne level for the first time since June 1985. Traders cited follow–through demand from end-users in the West German stainless steel industry. In contrast, copper prices retreated further on profit–taking and currency factors. But dealers said market sentiment remained bullish and there was no sign of any easing of the premium for cash over forward metal.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$14.90-15.10	-0.20
Brent Blend	$16.40-16.50	-0.55
W.T.I.(1 pm est)	$16.32-16.35	-0.615
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$171-173	-0.50
Gas Oil	$151-153	-1.00
Heavy Fuel Oil	$72-73	-1.00
Naphtha	$143-145	-0.50
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$486.75	-2.00
Silver (per troy oz)♣	681c	+4
Platinum (per troy oz)	$491.40	-6.40
Palladium (per troy oz)	$117.75	-2.00
Aluminium (free market)	$1810	+10
Copper (US Producer)	134-142c	+½
Lead (US Producer)	42c	
Nickel (free market)	339c	
Tin (European free market)	£3815	+20
Tin (Kuala Lumpur market)	17.00r	-0.01
Tin (New York)	319.50c	-1.00
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	104.84p	-3.40*
Sheep (dead weight)†	195.23p	-11.44*
Pigs (live weight)†	74.25p	+0.23*
London daily sugar (raw)	$212.40v	+5.40
London daily sugar (white)	$219.50v	+3.90
Tate and Lyle export price	£222.50	+3.00
Barley (English feed)	£108.50	
Maize (US No. 3 yellow)	£134.50	
Wheat (US Dark Northern)	£93.50u	
Rubber (spot)♥	62.50p	
Rubber (Jan) ♥	64.75p	-0.25
Rubber (Feb) ♥	64.75p	-0.25
Rubber (KL RSS No 1 Jan)	274.00m	+1.00
Coconut oil (Philippines)§	$540.00w	
Palm Oil (Malaysian)§	$412.50	-2.50
Copra (Philippines)§	$365.00	
Soyabeans (US)	£144.50	
Cotton "A" index	72.95c	-0.10
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. v-Jan/Feb. z-Jan. y-Feb/Mar. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Dec	1030	1015	1025	1019
Mar	1054	1044	1054	1046
May	1075	1064	1075	1065
Jly	1093	1082	1090	1087
Sep	1114	1102	1111	1100
Dec	1136	1126	1136	1126
Mar	1160	1150	1160	1151

Turnover: 2325 (3293) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 16: 1356.95 (1343.80) .10 day average for December 17: 1371.28 (1377.18).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1205	1196	1206	1195
Mar	1230	1222	1232	1218
May	1252	1242	1252	1239
Jly	1270	1256	1268	1256
Sep	1279	1270	1280	1272
Nov	1289	1287	1300	1287
Jan	1320	1320		

Turnover: 2317 (3274) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 15: Comp. daily 1979114.56 (114.83); 15 day average 115.53 (115.66).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	188.40	185.20	188.20	184.80
May	188.00	185.40	187.80	184.80
Aug	187.80	185.20	187.00	184.60
Oct	189.00	186.40	189.00	185.80
Dec	191.00	188.60		
Mar	193.60	191.20	193.00	192.00
May	196.00	194.00		

White	Close	Previous	High/Low	
Mar	224.20	222.00	233.30	220.00
May	227.50	226.00	227.00	224.00
Aug	231.50	230.00	233.00	229.00
Oct	231.50	232.00	230.00	228.70
Dec	231.80	233.00	231.00	231.00
Mar	237.00	236.00	238.00	236.00
May	240.00	242.00	238.00	237.50

Turnover: Raw 1986 (2820) lots of 50 tonnes; White 2567 (1885).
Paris- White (FFr per tonne): Mar 1225, May 1248, Aug 1280, Oct 1275, Dec 1280, Mar 1315.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	150.50	150.50	152.50	149.25
Feb	146.50	147.25	149.00	146.00
Mar	143.25	143.00	145.00	142.50
Apr	139.00	138.50	140.25	139.00
May	138.00	138.00	139.00	138.00
Jun	139.00	140.00	141.00	139.00
Jul	141.00	141.75	141.00	140.00

Turnover: 8884 (10818) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	114.50	114.70	114.60	114.20
Mar	115.55	116.20	116.00	115.55
May	117.85	118.35	118.20	117.70
Jly	120.50	120.90	120.60	120.50
Sep	103.40	103.45	103.45	103.40
Nov	105.50	105.50	105.50	
Jan	108.30	108.30	108.30	

Barley	Close	Previous	High/Low	
Jan	107.15	106.70	107.70	107.15
Mar	109.00	108.60	109.50	108.75
May	110.70	110.30	110.70	110.70
Sep	97.80	97.70	97.80	97.70
Nov	100.20	100.10	100.20	
Jan	102.45	102.35	102.45	102.35

Turnover: Wheat 291 (110), Barley 92 (92) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 500 tonne
Cash	1900-10	1810-20		1860-90		
3 months	1825-35	1760-70	1760/1740	1810-30	1825-40	2,571 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 22,800 tonne
Cash	1031-3	981-2	1025/1014	1025-6		
3 months	981-2	945-6	987/970	982-3	985-6	53,251 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,250 tonne
Cash	1532-5	1555-8	1560/1540	1580-5		
3 months	1324-5	1347-8	1350/1310	1345-7	1316.5-17	80,171 lots
Copper, Standard (£ per tonne)						Ring turnover 100 tonne
Cash	1480-1500	1510-20	1505	1510-30		
3 months	1300-10	1320-30		1320-30		39 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	674-7	673-6		672-5		
3 months	685-8	788-9		685-8	690-5	619 lots
Lead (£ per tonne)						Ring turnover 6,000 tonne
Cash	354.5-5	352-3	355	354-4.5		
3 months	344.5-5	343-4	346/343	346-5.5	343-4	11,863 lots
Nickel (£ per tonne)						Ring turnover 2,730 tonne
Cash	4130-50	3980-90		4025-50		
3 months	4056-60	3940-50	4080/3970	3970-1	4045-65	9,372 lots
Zinc (£ per tonne)						Ring turnover 4,150 tonne
Cash	463-4	460-1	466/464	465-5.5		
3 months	465-6	462-3	468/464	467-8	462-4	13,866 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	103.50	103.50		
Mar	87.50	87.50		
Apr	144.40	146.00	146.00	144.00
May	158.00	158.00	158.00	
Nov	87.50	86.00		
Feb	96.50	92.50		

Turnover: 100 (238) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	140.50	141.00	
Apr	132.00	133.50	
Jun	121.00	123.00	121.50
Aug	120.00	121.00	120.00
Oct	120.00	121.50	
Dec	122.00	124.50	

Turnover: 125 (31) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low	
Jan	1255.5	1268.0	1260.0	1253.0
Apr	1290.0	1292.5	1292.5	1285.0
Jly	1137.5	1140.0	1137.5	
Oct	1240.0	1250.0	1240.0	
BFI	1266.0	1268.5	1268.0	

Turnover: 186 (187)

WOOL
World prices have shown no clear trend at the final sales before the Christmas recess. In Australia, the week brought slight softness at times, but this was sporadic and the market was basically steady. In the UK industry business recently has been dull and there is now little hope of revival before Christmas closures, which from a production point of view last until January 4. The worsted sector is well placed for orders for some time yet, but there are occasional difficulties elsewhere, in the woollen and hand-knitting yarn sectors. The Australian Wool Corporation market indicator was at A$9.14 a kg., 5c down on a week ago. Bradford top quotations are unchanged at 484p per kg. for 64s, 364p for 58s and 335p for 50s.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	486½-487	265½-6
Opening	484¾-484¾	265¾-265¾
Morning fix	487	266½
Afternoon fix	486¾	265¾
Day's high	488¾-488¾	
Day's low	484¼-484¾	
Coins	**$ price**	**£ equivalent**
US Eagle	501-505	273¾-276¾
Mapleleaf	501-506	273¾-276¾
Britannia	501-505	273¾-276¾
Krugerrand	485¾-488¾	264¾-266¾
1/2 Krug	252-261	137½-142½
1/4 Krug	128-134	69¾-73¾
Angel	500-505	273-275¾
1/10 Angel	51-56	27¾-30½
New Sov.	114¾-115¾	62½-63¾
Old Sov.	114½-116	62½-63½
Noble Plat	505-511	276¾-278¾

Silver fix	p/fine oz	US cts equiv
Spot	671.50	367.50
3 months	685.25	376.45
6 months	699.10	384.35
12 months	728.60	402.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1800	110	91	27	89
1850	79	66½	45	117
1900	55	52	69	148
Copper (Grade A)	**Calls**		**Puts**	
Strike price $ tonne	Jan	Mar	Jan	Mar
2400	284	257	49	257
2500	216	181	80½	314
2600	159	151	123	377
Copper (Grade A)	**Calls**		**Puts**	
Strike price £ tonne	Jan	Mar	Jan	Mar
1425	55		42½	
1450	44		55½	
1475	34		70	

US MARKETS

Energy futures opened firmer in response to the API statistics, but quickly came under pressure on persistent trade, local and speculative selling, reports Drexel Burnham Lambert. As crude oil broke $16, basis February, stops were hit, accelerating the decline in a market devoid of serious buying. The precious metals were steady initially, but failed to hold gains as the energy futures fell. However, trade buying was noted around the lows. Cotton rallied to limit-up as trade buying touched off commission house buy stops around 65.30c, basis March. Coffee and cocoa firmed on speculative and trade buying and short-covering. Sugar was firm reflecting continued bullish fundamentals. The grains were under pressure. Soya oil futures discounted an offer to India, meal reflected weakness in premiums and this tended to ease soyabeans as well. In maize and wheat, continued efforts by the USDA to lower terminal prices to stimulate demand led to a negative tone.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	485.3	482.7	487.0	484.2
Jan	486.8	483.9	0	0
Feb	490.1	487.2	491.9	486.8
Apr	495.4	493.6	496.5	495.0
Jun	502.6	499.8	504.3	502.0
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jan	16.14	16.53	16.95	16.13
Feb	15.91	16.41	16.75	15.90
Mar	15.82	16.31	16.64	15.82
Apr	15.80	16.28	16.61	15.80
May	15.80	16.25	16.60	15.80
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	8.34	8.25	8.37	8.23
Oct	8.39	8.29	8.40	8.28
Jan	8.45	8.34	0	0
Mar	8.65	8.54	8.65	8.65

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	65.88	63.88	65.88	64.00
May	66.71	64.71	66.71	64.80
Jul	66.90	64.90	66.90	65.00
Oct	64.80	62.75	64.73	64.03
Dec	63.72	61.85	63.80	62.05
Mar	64.92	63.05	63.50	63.50
May	65.61	63.26	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	166.10	167.70	168.25	166.00
Mar	165.60	166.90	167.35	165.00
May	164.75	165.95	166.10	164.50
Jul	165.25	164.50	165.50	164.00
Sep	164.75	164.50	0	0
Nov	162.00	162.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 15	Dec 14	mnth ago	yr ago
1696.5	1687.6	1683.3	1687.2

DOW JONES (Base: December 31 1974 = 100)

Spot	131.96	132.68	128.61	118.58
Futures	133.18	134.31	131.60	115.63

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	581/0	583/4	584/4	579/0
Mar	590/6	592/6	594/0	587/6
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar quiet as pound recovers

THE DOLLAR appears to have entered a quiet period ahead of the year end holidays, which will involve a considerable amount of book squaring.

Trading is already winding down and in the absence of fresh factors dealers are not expecting any major shift before the new year. Many market operators have squared their books and are content to wait until January before taking out new positions.

Sentiment surrounding the dollar is bearish because of the US trade and budget deficits, and speculation that the Reagan Administration is not prepared to take corrective monetary and financial measures for fear of provoking a recession in the run up to next year's Presidential election.

Dealers will keep a close eye on the Federal funds rate for signs of tighter monetary policy after Tuesday's Federal Open Market Committee meeting. The Fed drained reserves from the New York banking system yesterday with overnight matched sales, but this was a technical operation.

The market will be looking for Federal funds to rise from a recent level of around 6¾ p.c. as a sign of tightening, but yesterday the rate fell to 6 p.c., because of severe weather conditions in parts of the US, which have prevented cheques from reaching the authorities.

At the London close the dollar eased slightly to DM1.6305 from DM1.6310 and to Y127.30 from Y127.55, but was unchanged at FFr5.5275 and rose to SFr1.3285 from SFr1.3280.

On Bank of England figures the dollar's index was unchanged at 93.5.

STERLING-Trading range against the dollar in 1987 is 1.8880 to 1.4710. November average 1.7770. Exchange rate index fell 0.1 to 75.7, compared with 73.1 six months ago.

Sterling opened weaker in London yesterday, but recovered to close little changed on the day. Suggestions that the Opec production agreement, reached this week in Vienna, will not hold oil prices at $18 a barrel depressed the pound.

Recent UK economic data have been encouraging however, helping the recovery. Tuesday's industrial production figures for October pointed to continued strong growth, while yesterday's PSBR figure for November showed a repayment towards the top end of market expectations.

The pound rose 10 points to $1.8315-1.8325, and also improved to SFr2.4350 from SFr2.4325 and to FFr10.1275 from FFr10.12, but was unchanged at DM2.9875 and eased to Y233.25 from Y233.50.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6310. November average 1.6809. Exchange rate index 151.4 against 146.5 six months ago.

The D-Mark fell back against the dollar in quiet Frankfurt trading. The US currency closed at DM1.6350, compared with DM1.6290 on Tuesday.

The Bundesbank did not intervene when the dollar was fixed at DM1.6313, compared with DM1.6282 on Tuesday, which was the second lowest fixing on record. Yesterday's fixing was around the middle of the dollar's relatively narrow morning trading range.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 127.55. November average 135.90. Exchange rate index 239.2 against 221.3 six months ago.

The yen lost ground to the dollar in Tokyo, mainly on covering of short dollar positions, but underlying sentiment remained against the US currency.

There were no new factors and trading was very quiet. The dollar rose to Y127.60 from Y126.95, but finished little changed from Tuesday's New York close of Y127.65.

£ IN NEW YORK

Dec 16	Latest	Previous Close
£ Spot	1.8260-1.8270	1.8345-1.8385
1 month	0.03pm-par	0.03pm-par
3 months	0.28-0.24pm	0.28-0.24pm
12 months	1.18-1.08pm	1.18-1.08pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec 16	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	7.85212	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	2.05853	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.90403	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	2.31943	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	0.768411	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1483.58	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCY RATES

Dec 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCY MOVEMENTS

Dec 16	Bank of England Index	Morgan Guaranty Changes %
Sterling	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]

[illegible]

EURO-CURRENCY INTEREST RATES

Dec 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

OTHER CURRENCIES

	£	$
Iran	122.60*	66.25*
Korea(Sth)	1454.40-1467.55	791.90-798.30
Kuwait	0.49900-0.49995	0.27335-0.27345
Luxembourg	62.50-62.60	34.10-34.20
Malaysia	4.5345-4.5465	2.4850-2.4900
Mexico	4127.20-4220.15	2260.00-2310.00
N. Zealand	2.8295-2.8345	1.5485-1.5510
Saudi Ar.	6.8445-6.8505	3.7500-3.7510
Singapore	3.6460-3.6575	1.9975-1.9995
S. Af (Cm)	3.5435-3.5595	1.9415-1.9475
S. Af (Fn)	5.4945-5.5655	3.0075-3.10105
Taiwan	52.55-52.80	28.70-28.80
U.A.E.	6.7040-6.8000	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

Dec 16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.335	0.613	1	78.08	3.390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.287	7.854	12.81	1000.	43.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.987	1.809	2.950	230.3	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.412	0.754	1.229	95.99	4.168	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.298	0.546	0.890	69.47	3.016	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.455	0.834	1.361	106.2	4.612	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.417	0.763	1.245	97.39	4.220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.599	2.929	4.776	372.9	16.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts drift as lethargy grows

GILT PRICES finished a rather uninspiring session in the Liffe market yesterday, above the day's lows, but slightly down from Tuesday's settlement price.

"We have a very dispirited market", one dealer suggested. This was evident after early attempts to open on a steady note failed to meet with any success and the March price was quoted at 116-08, down from 116-15 on Tuesday. It weakened further to a low of 116-04, after it had been announced that the UKTreasury's latest tap stock had been under subscribed.

Earlier in the day, news of a PSBR net repayment of £1.55bn in November, giving a cumulative surplus of £1.1bn for the financial year so far, provided a brief fillip but failed to cut through market lethargy.

Once again trading volume was on the low side. The softer trend was led from the short end, where cash rates moved up in reaction to fading hopes of an early cut in base rates.

Sentiment was affected by sterling's weaker trend, notably against the D-Mark, and gilt prices failed to find comfort in a stronger US bond market. US Treasury bond futures reacted favourably to lower oil prices and a decline in the gold price, both of which pointed towards reduced fears of higher US inflation.

Tuesday's postponement of the 7-year note auction may also have increased demand although trading volume remained comparitively light and values finished below their best level.

US housing starts in November rose sharply by 7.5 p.c.

The March bond price opened at 86-02, up from 84-28 and touched a high of 86-07 before closing at 85-13.

Three-month sterling deposits finished on a weaker note, reflecting a rise in cash rates. The March price opened at 90.98 and fell to a low of 90.73 before closing at 90.78, down from 91.01 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	2.22	3.35	2.08	3.21
118	1.31	2.41	3.09	4.27
120	0.56	1.59	4.34	5.45
122	0.30	1.25	6.08	7.09
124	0.18	0.60	7.40	8.46
126	0.10	0.40	9.52	10.26
128	0.06	0.26	11.48	12.12
130	0.03	0.17	13.45	14.05

Estimated volume total, Calls 4067 Puts 1399
Previous day's open int: Calls 27058 Puts 13444

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	4.36	4.48	1.09	2.12
84	2.59	3.41	1.35	3.05
86	1.52	2.46	2.25	4.10
88	1.06	1.63	3.44	5.27
90	0.41	1.26	5.15	6.54
92	0.21	0.63	4.59	8.27
94	0.10	0.42	8.48	10.06
96	0.05	-	10.43	-

Estimated volume total, Calls 91 Puts 15
Previous day's open int: Calls 782 Puts 725

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
15000	30.50	25.72	0.00	4.37
15250	18.00	-	0.00	-
15500	15.51	19.18	0.08	0.83
15750	13.04	-	0.04	-
16000	10.62	14.99	0.12	1.64
16250	8.30	-	0.30	-
16500	6.17	11.28	0.67	2.93
16750	4.32	-	1.32	-

Estimated volume total, Calls 60 Puts 100
Previous day's open int: Calls 21 Puts 147

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7573	0.7598	0.7566	0.7597
Jun	-	0.7685	0.7648	0.7677
Sep	0.7740	0.7765	0.7740	0.7762
Dec	0.7865	0.7875	0.7865	0.7852

STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
Dec	244.40	246.50	243.70	244.55
Mar	245.50	246.60	244.60	245.50
Jun	247.30	248.50	246.60	246.60
Sep	248.60	250.00	248.50	248.40

CURRENCY FUTURES

[illegible]

MONEY MARKETS

UK rates firmer

INTEREST RATES were a little higher in London yesterday. Some dealers said that rates were creeping up, partly because of sterling's weaker trend but also in recognition of fading hopes of a cut in base rates this year.

"There is no point in getting up a head of steam before Christmas," one dealer suggested. Consequently three-month interbank money rose to 8⅞-8¾ p.c. from 8¾-8⅝ p.c. and the one year rate was higher at 9½-9¼ p.c. from 9⁷⁄₁₆-9⁵⁄₁₆ p.c. Overnight money opened at 8⅞-8⅝ p.c. and traded between 9 p.c. and 8½ p.c. before finishing at 9½ p.c.

UK clearing bank base lending rate 8½ per cent from December 4

The Bank of England forecast a shortage of around £700m with factors affecting the market including the repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £646m and a rise in the note circulation of £340m. These were partly offset by Exchequer transactions which added £265m and banks' balances brought forward £25m above target.

The forecast was revised to a shortage of around £1,050m and again to £1,100m and the Bank gave assistance in the morning of £497m through outright purchases of £1m of Treasury bills and £20m of eligible bank bills in band 1 at 8⅜ p.c. and £20m of Treasury bills and £151m of eligible bank bills in band 2 at 8⅜ p.c. In band 3 it bought £73m of eligible bank bills and £232m in band 4 all at 8⅜ p.c.

A further revision took the forecast to a shortage of around £1,150m, before taking into account the morning help and the Bank gave additional assistance in the afternoon of £302m through outright purchases of £2m of Treasury bills and £144m of eligible bank bills in band 1 and £31m in band 2 all at 8⅜ p.c. In band 3 it bought £32m of eligible bank bills and £93m in band 4 again at 8⅜ p.c. Late help came to £275m, making a total of £1,074m.

In Frankfurt the Bundesbank said it would not hold a news conference after today's meeting of the central council. This came as no surprise since the discount rate was cut to a record low of 2½ p.c. only two weeks ago. Meanwhile call money showed little change, reflecting hopes that the pending season of tax payments would be met without disrupting the supply of short term funds. Commercial banks' holdings with the Bundesbank remained comfortably in excess of the projected minimum reserve requirementfor the month.

In Paris the Bank of France left its money market intervention rate unchanged at 7¾ p.c. when allocating FFr19bn through its latest sale and repurchase tender. Successful applicants receive their allocations today and the agreement expires on January 6.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.16) 3 months US dollars		6 months US Dollars	
bid [illegible]	offer [illegible]	bid [illegible]	offer [illegible]

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

Dec.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Last	May 88 Vol	Last	Aug. 88 Vol	Last	Stock
GOLD C	$ 480	256	24 B	-	-	-	-	$ 486.30
GOLD C	$ 500	109	15	643	28 B	10	40	$ 486.30
GOLD C	$ 520	5	8 B	16	18	500	29	$ 486.30
GOLD P	$ 460	132	6	-	-	-	-	$ 486.30
		Dec. 87		Mch. 88		Jun. 88		
SILVER C	$ 700	40	1	-	-	-	-	$ 676
		Dec. 87		Jan. 88		Feb. 88		
EOE Index C	Fl. 160	43	16.50 A	5	20	-	-	Fl. 175.09
EOE Index C	Fl. 165	192	12	21	16.50	-	-	Fl. 175.09
EOE Index C	Fl. 170	233	6.70	47	13	-	-	Fl. 175.09
EOE Index C	Fl. 175	270	3.90	39	10	-	-	Fl. 175.09
EOE Index C	Fl. 180	422	1.40 A	99	8.10	11	12.60 B	Fl. 175.09
EOE Index C	Fl. 185	66	0.50 A	132	6.90	7	10 A	Fl. 175.09
EOE Index C	Fl. 190	36	0.20	82	4.90	-	-	Fl. 175.09
EOE Index C	Fl. 195	23	0.30 A	71	3	-	-	Fl. 175.09
EOE Index C	Fl. 200	-	-	66	1.80	-	-	Fl. 175.09
EOE Index C	Fl. 205	48	0.10	10	1.50 A	-	-	Fl. 175.09
EOE Index P	Fl. 156	184	0.10	19	2.40	-	-	Fl. 175.09
EOE Index P	Fl. 160	41	0.20	34	3.50	-	-	Fl. 175.09
EOE Index P	Fl. 165	51	0.60	73	5 A	-	-	Fl. 175.09
EOE Index P	Fl. 170	57	1	173	6.80	11	11.50	Fl. 175.09
EOE Index P	Fl. 175	61	2.70	52	9	-	-	Fl. 175.09
EOE Index P	Fl. 180	66	5.50	39	11.20	-	-	Fl. 175.09
EOE Index P	Fl. 185	50	9.50	-	-	-	-	Fl. 175.09
EOE Index P	Fl. 190	17	15	37	17	-	-	Fl. 175.09
EOE Index P	Fl. 255	77	80	30	80.50	-	-	Fl. 175.09
EOE Index P	Fl. 270	33	95	-	-	-	-	Fl. 175.09
$/Fl C	Fl. 180	-	-	126	5	-	-	Fl. 184.16
$/Fl P	Fl. 180	166	0.05	20	1.30	132	3.10	Fl. 184.16
$/Fl P	Fl. 185	67	0.90	44	3.30	32	5	Fl. 184.16
$/Fl P	Fl. 190	108	5.50	22	6.80	-	-	Fl. 184.16
$/Fl P	Fl. 200	66	16	-	-	-	-	Fl. 184.16
$/Fl P	Fl. 205	91	20.80	-	-	-	-	Fl. 184.16
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 46	257	0.30	72	1.20	-	-	Fl. 40
ABN P	Fl. 40	112	1.80	125	3.20	202	4	Fl. 40
AEGON C	Fl. 60	71	1.80	31	4.30	2	5.70	Fl. 57.80
AHOLD C	Fl. 70	57	1.70	8	4.20	-	-	Fl. 62.50
AHOLD P	Fl. 60	26	1.50	41	4	-	-	Fl. 62.50
AKZO C	Fl. 90	199	5.10	69	10.50	138	12.80	Fl. 92
AKZO P	Fl. 90	510	3.20 B	144	8	5	12	Fl. 92
AMEV C	Fl. 30	-	-	-	-	42	10.50	Fl. 38.20
AMRO C	Fl. 60	102	1.20	-	-	-	-	Fl. 57.10
AMRO P	Fl. 60	2	3.80 A	42	5.50	-	-	Fl. 57.10
ELSEVIER C	Fl. 45	385	3.10	71	5.80	25	7.90	Fl. 45.30
ELSEVIER P	Fl. 40	51	1	53	3	-	-	Fl. 45.30
GIST-BROC. C	Fl. 30	3	0.60	480	2	3	2.50	Fl. 24.50
GIST-BROC. P	Fl. 25	21	1.60 A	479	3.60	98	4.80	Fl. 24.50
HEINEKEN C	Fl. 130	172	6	162	12	-	-	Fl. 127
HOOGOVENS C	Fl. 30	462	1.40	32	3.20	-	-	Fl. 28
KLM C	Fl. 30	462	1.40	210	3.30	46	4.80	Fl. 28.80
KLM P	Fl. 27.50	200	1.40	17	2.50	-	-	Fl. 28.80
NAT.NED. C	Fl. 55	37	0.60	558	2.30	2	3	Fl. 48.30
NAT.NED. P	Fl. 45	32	1	10	2.30	3	3.50	Fl. 48.30
PHILIPS C	Fl. 35	147	0.30	526	1.30	30	2	Fl. 29
PHILIPS P	Fl. 30	118	1.90	62	3.70	118	4.20	Fl. 29
ROYAL DUTCH C	Fl. 220	226	0.70	598	4.20	-	-	Fl. 192.30
ROYAL DUTCH P	Fl. 220	4	28	630	30	-	-	Fl. 192.30
ROBECO P	Fl. 75	36	1.30	24	4.50	-	-	Fl. 82.70
UNILEVER C	Fl. 116	405	1.70	-	-	-	-	Fl. 104.80
UNILEVER P	Fl. 100	139	3	36	8	7	11.50 B	Fl. 104.80

TOTAL VOLUME IN CONTRACTS : 31,518

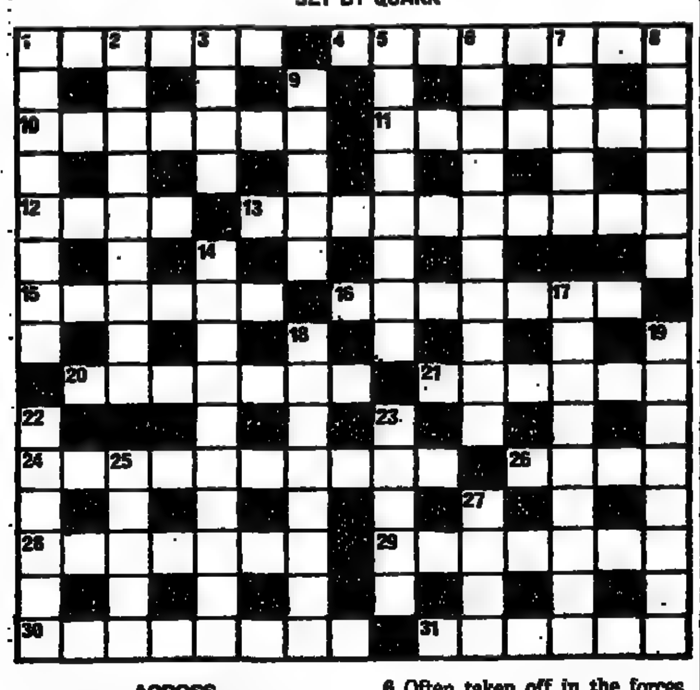
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
Allied Arab Bk	9	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Int(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	10½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l TstC'p plc	9	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
Banco de Bilbao	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Bank Hapoalim	8½	First Nat. Fin. Corp.	10	TSB	8½
Bank Leumi (UK)	8½	First Nat. Sec. Ltd.	10	UDT Mortgage Exp	♦10.2
Bank Credit & Comm	8½	● Robert Fleming & Co.	8½	United Bk of Kuwait	8½
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9½	United Mizrahi Bank	8½
Bank of Ireland	8½	Girobank	8½	Unity Trust Bank Plc	8½
Bank of India	8½	Grindlays Bank	8½	Western Trust	8½
Bank of Scotland	8½	● Guinness Mahon	8½	Westpac Bank Corp.	8½
Banque Belge Ltd	8½	HFC Trust & Savings	8½	Whiteaway Laidlaw	9
Barclays Bank	8½	● Hambros Bank	8½	Yorkshire Bank	8½
Benchmark Tst Ltd	8½	Heritable & Gen Inv Bk.	8½		
Beneficial Trust Ltd	10	● Hill Samuel	§8½		
Berliner Bank AG	8½	C. Hoare & Co.	8½		
Brit Bk of Mid East	8½	Hongkong & Shangh	8½		
● Brown Shipley	8½	Lloyds Bank	8½		
Business Mtge Tst	9	Meghraj Bank Ltd	8½		
CL Bank Nederland	8½	Midland Bank	8½		
Central Capital	8½	● Morgan Grenfell	8½		
Cayzer Ltd	8½	Mount Bnkg Cpn Ltd	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.59% Sureise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,510
SET BY QUARK



ACROSS

1 Language refinement (6)
4 I'm seedy 'n rocky, needing contemplation (5,3)
10 A bitter exchange put on by father (7)
11 Father has a steady pace round one, a country lover (7)
12 A special day in Rome dies out (4)
13 Passionate entreaty from the French (3,2,5)
15 Musician loses heart, changes motive (6)
16 'The Rivals' (but not in play (7)
20 Took a course that's deliberately contrived (7)
21 Aim for bit of 'elp with tangled net (6)
24 Not receptive? I am, by means of Open University, being vested in power (10)
26 Part of danger medic warns us about (4)
28 One being in wine company provides covered feature (7)
29 Tough member not welcome in joint (7)
30 Around the finish the judge is more with it (8)
31 Understand about everything in the Australian plant (6)

DOWN

1 Tax collector called to the bar? (8)
2 Trial scene endlessly re-enacted? He could be there (9)
3 Piece of ground used to make alignment, we hear (4)
5 Lacking discretion, lacking right, lacking modesty (8)
6 Often taken off in the forces (10)
7 Pick rock that's not soft (5)
8 Tree in storms that's undamaged (6)
9 The man to worry? (5)
14 One with talent when young subject to king in turn (10)
17 Chemical substance (aluminium) relating to water? (9)
18 For an interval no newspaper turns up. End of coverage? (8)
19 Ragged, teased MP - impulsive action of crowd (8)
22 Important person used to serve many? (3,3)
23 Late news could be nonsense (5)
25 Contract for prize money (5)
27 Part of evasive action in return, needed when abroad? (4)

Solution to Puzzle No.6,509

```
SCAREDSTIFF■SAW
P■T■E■T■N■U■Q■R
OUTER■ANGOSTURA
R■E■I■D■R■I■A■I
TANGERINE■LISZT
I■D■■■U■S■I■H■H
VIETNAM■STEN■■■
E■D■U■■■■■R■C■H
■■■TRAP■MASCARA
R■B■S■E■I■■■R■L
ABUSE■RASPBERRY
I■R■M■G■D■E■I■A
SINGAPORE■FLAIR
I■E■I■L■A■I■G■D
NOD■DEADLETTERS
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	26.8	28.6	+0.3	–
Do. Income	26.7	28.5	+0.3	0.19
Scimitar European Acc	19.9	21.2	+0.9	–
Do. Income	19.9	21.2	+0.9	0.12
Scimitar UK Eq Inc Acc	31.7	33.4	+0.6	–
Do. Income	30.4	32.1	+0.6	5.78
UK Cap Gth Acc	20.7	21.8	+0.8	0.75
Scimitar Pac Basin Acc	25.4	27.1	+0.3	–
Scimitar Mangd Exempt*	130.8	136.3	+4.9	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intl Income Units	118.5	126.1	–	3.06
Intl Accum Units	181.3	192.9	–	3.06
UK General Acc	35.1	37.5	+0.3	3.11
UK General Inc	33.8	36.1	+0.3	3.11
American	25.4	27.2	+0.2	0.64
European	33.4	35.7xd	+0.2	0.94
Japan	51.1	54.7xd	+0.3	–
Technology	32.4	34.7	+0.3	1.42
Performance Trusts				
Far East Perf Tst	14.7	15.8	+0.2	0.44
High Inc Perf Tst Inc	22.0	23.5xd	+0.2	5.37
High Inc Perf Tst Acc	22.4	24.0xd	+0.2	5.37
Worldwide Tech Perf Tst	25.0	26.7	+0.2	–

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	349.3	367.8	—	—
Eb"r Ph. Eq.	304.1	323.2	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	151.8	159.7	+1.7	—
International Acc.	114.5	120.5	+0.8	—
Property Acc.	120.3	126.6	—	—
Fixed Interest Acc.	146.0	153.6	-0.4	—
Money Acc.	133.4	140.4	—	—
Bldg. Soc. Link Acc.	131.3	138.2	+0.1	—
Special Mngd. Acc.	135.3	142.4	+0.8	—
Phoenix/Framlington				
Intnl. Growth Acc.	73.7	77.5	+2.1	—
Amer. & Gen. Acc.	66.5	70.0	+2.1	—
Capital Tst. Acc.	157.6	165.8	+1.6	—
Japan & Gen Acc	155.5	163.6	+2.3	—
American Turn. Acc.	65.9	69.3	+1.6	—
Recovery Tst. Acc.	143.6	151.1	+3.6	—
Special Mngd Acc.	125.1	131.6	+1.7	—
Phoenix/GT				
International Acc.	[illegible]	115.0	+2.0	—
US & General Acc	[illegible]	84.9	+2.2	—
Amer Spec Sits Acc	[illegible]	58.7	+1.8	—
Japan & General Acc	[illegible]	160.8	+2.5	—
Far East & Gen. Acc.	[illegible]	132.7	+2.1	—
UK Capital Acc.	[illegible]	158.0	+2.1	—
European Acc	[illegible]	127.1	+1.5	—
Special Mngd. Acc.	[illegible]	118.6	+1.6	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	254.5	267.9	+6.2	—
Man Pens Inc & Cap Fds	323.1	340.2	+9.8	—
Money Fund	110.4	116.3	+0.1	—
Pens. Mngd Fd (Init)	79.7	83.9	+6.1	—
Pens Mngd Fd (Acc)	88.5	93.2	+6.9	—
Pens FT30 Fd (Init)	120.0	126.4	+3.4	—
Pens FT30 Fd (Acc)	133.2	140.3	+3.9	—
Pens O'seas MgFd(Init)	46.6	49.1	+1.8	—
Pens O'seas MgFd(Acc)	51.8	54.6	+2.1	—
Pens Fxd Int Fd (Init)	104.4	109.9	-1.0	—
Pens Fxd Int Fd (Acc)	115.9	122.0	-1.0	—
Pens Deposit Fd (Init)	100.4	105.7	+0.1	—
Pens Deposit Fd (Acc)	111.5	117.4	+0.2	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

American	76.0	80.0	—	—
Building Soc. Fd.	157.0	166.0	—	—
Balanced	212.0	224.0	+2.0	—
Deposit	156.0	165.0	—	—
European	111.0	117.0	+1.0	—
GT Managed	134.0	142.0	—	—
Gartmore Mngd	91.0	96.0	+3.0	—
German	95.0	100.0	+1.0	—
Gilt	155.0	164.0	—	—
High Inc.	109.0	115.0	—	—
International Equity	139.0	147.0	+2.0	—
Japan	187.0	197.0	+1.0	—
Oppenheimer Mngd	—	—	—	—
Property	231.0	244.0	—	—
R. W. Imperial Gold	97.0	103.0	—	—
UK Equity	255.0	269.0	+5.0	—
Pension Funds				
American	72.0	76.0	—	—
Building Soc. Fd.	145.0	153.0	—	—
Balanced	151.0	159.0	—	—
Deposit	144.0	152.0	—	—
European	108.0	114.0	—	—
GT Managed	137.0	145.0	—	—
Gartmore Mngd	86.0	91.0	—	—
German	88.0	93.0	—	—
Gilt	126.0	133.0	—	—
International Equity	85.0	90.0	—	—
Japan	124.0	131.0	—	—
Oppenheimer Mngd	—	—	—	—
Property	170.0	179.0	—	—
UK Equity	300.0	311.0	—	—

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

Int Man Pension Fd	111.2	117.0	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Dec 09	182.6	190.3	—	—

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd	408.4	429.9	—	—
Equity Fd	807.1	849.6	—	—
Intnl. Fd.	286.1	301.2	+5.2	—
Fixed Int. Fd.	347.7	366.0	—	—
Prop. Fd.	296.1	311.7	—	—
Cash Fd.	232.8	244.0	—	—
Pacific Basin Fd.	157.3	165.6	+1.5	—
North American Fd.	111.6	117.5	+4.1	—
European Fd.	132.1	139.1	+0.9	—
Holborn Balanced Gwth Fd	—	—	—	—
Holborn Strategic Gwth Fd	—	—	—	—

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	432.5	455.3	+3.3	—
Equity	609.8	641.9	+7.3	—
Global Equity	176.0	185.3	+1.5	—
Fixed Interest	347.7	366.0	-1.4	—
Property	297.0	312.7	—	—
Cash	135.7	142.9	—	—
Index Linked Gilt	154.8	163.0	-1.5	—
Guaranteed	9.25	10.25	—	—
International Money	184.4	194.2	+0.7	—
North American Fd.	50.2	52.9	—	—
Japanese Fund	98.19	103.3	—	—
European Fund	68.5	72.2	—	—
Special Situations Fd.	79.2	83.4	—	—
Communications Fund	68.4	72.0	—	—
Smaller Cos Fund	81.7	86.0	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Dec 9	£111.65	114.94	—	—
Equity Fund Dec 9	£117.32	120.89	—	—
Intnl Fund Dec 9	£18.57	19.17	—	—
Intl Bond Fd Dec 9	£9.96	10.09	—	—
Fixed Int Dec 9	£64.04	65.70	—	—
Index Linked Dec 9	£48.69	49.25	—	—
Property Fund Dec 9	£72.84	77.33	—	—
Cash Fund Dec 9	£17.0649	17.0649	—	—
Pru-Linked Retirement Plan				
Managed Fd Dec 16	285.3	297.2	+4.6	—
Cash Fund Dec 16	170.4	177.5	+0.4	—
Prudential Pensions Investment Account				
Pens Man Fd Dec 16	117.1	123.3	+0.5	—
Pens UK Eq Fd Dec 16	207.2	218.2	+0.2	—
Pens Ul Fd Dec 16	136.9	143.1	+2.4	—
Pens Fxd Dec 16	146.3	154.1	+0.1	—
Pens Index Lk Dec 16	122.5	127.9	-2.8	—
Pens Cash Fd Dec 16	111.5	117.4	+0.1	—

Regency Life Assurance Co Ltd
55-57 High Holborn, WC1V 6DU. 01-831 7491

Aggressive Ptflo Fd.	95.7	100.7	+1.3	—
Balanced Ptflo Fd.	259.9	273.5	+2.6	—
Caution Ptflo Fd.	107.4	113.0	+0.3	—
Elite Fund	92.3	97.1	+1.4	—
European Fund	71.4	75.1	+1.8	—
Far East Fund	91.4	96.2	+1.5	—
Fixed Interest Fund	238.9	251.4	-3.6	—
International Fund	202.8	213.4	+3.0	—
Money Fund	163.1	171.6	+0.1	—
N. American Fd.	89.8	94.5	-1.3	—
Property Fund	325.3	332.8	+9.6	—
UK Equity Fd.	317.8	334.5	+3.5	—
A.I.M. Brwda Dplm Fd.	79.1	83.3	+1.2	—
Ashlands Sel. Inv. Fd.	93.1	98.0	+1.1	—
Chart Safety First Bd.	103.1	108.5	—	—
Conquest Fund	64.1	67.5	—	—
Exec Master Fd.	79.3	83.5	+1.3	—
Hardwick Growth Fd.	99.4	104.6	+0.4	—

All funds have equivalent pension fund. Series 2 prices shown. Others available from Regency Life.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	97[illegible]	Treas 7¾pc 1985–88‡‡	99[illegible]	–[illegible]	7.76	8.64
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	–[illegible]	10.44	8.81
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	–[illegible]	9.72	8.99
98[illegible]	93[illegible]	Transport 3pc '78–88	97[illegible]		3.07	7.11
101[illegible]	98[illegible]	Treas. 9½pc '88	100[illegible]	–[illegible]	9.47	9.06
105[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]	–[illegible]	11.22	9.13
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	–[illegible]	9.46	9.12
96[illegible]	89[illegible]	Treas 3pc 1989	95[illegible]	–[illegible]	3.15	6.68
104[illegible]	99[illegible]	Treas 10½pc 1989	102[illegible]	–[illegible]	10.32	9.23
103[illegible]	98[illegible]	Exch 10pc 1989	100[illegible]	–[illegible]	9.90	9.31
105[illegible]	100[illegible]	Exch 11pc 1989	102[illegible]	–[illegible]	10.71	9.28
96[illegible]	89[illegible]	Treas 5pc 1986–89	95[illegible]	–[illegible]	5.26	7.89
108[illegible]	99[illegible]	Exch 10½pcCv '89	102[illegible]	–[illegible]	10.00	8.78
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	106[illegible]	–[illegible]	12.18	9.37
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	102[illegible]	–[illegible]	10.69	9.44
110[illegible]	103[illegible]	Exch. 12½pc 1990	106[illegible]	–[illegible]	11.78	9.44
92[illegible]	84[illegible]	Treas. 3pc 1990	91[illegible]	–[illegible]	3.30	8.96
100[illegible]	93[illegible]	Treas 8¼pc 1987–90‡‡	98[illegible]	–[illegible]	8.39	8.96
0	0	Tr. 8pc Cv 1990 (50pd)‡	98		8.16	8.90
105	97[illegible]	Treas. 10pcCv 1990	101[illegible]	–[illegible]	9.87	9.43
91[illegible]	81[illegible]	Exch 2½pc 1990	88[illegible]	–[illegible]	2.82	6.87
110[illegible]	102[illegible]	Treas 11¾pc 1991	106[illegible]	–[illegible]	11.08	9.43
95[illegible]	87[illegible]	Funding 5¾pc '87–91‡‡	92[illegible]	–[illegible]	6.20	8.30
90[illegible]	80[illegible]	Treas. 3pc 1991	87[illegible]	–[illegible]	3.43	7.18

BRITISH FUNDS – Contd

Undated

Index–Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

AMERICANS — Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21¼	Rep NY Corpn $5	21⅝xd	–¼	$1.16	—	3.0
18¾	8¾	Rockwell Intl. $1	9⅞		66c	—	3.7
30¾	16¼	Sara Lee $1(1/3)	19xd	+⅛	$1.00	—	2.9
11¾	8¾	Saul (B. F.) $1	9⅛	+¼	20c	—	1.2
27⅞	2¼	Southwestern Bell $1	19	+½	b$2.32	—	6.7
22¼	999p	Staley Continental	11¼	+⅜	80c	—	3.9
44¾	21⅝	Sun Co. Inc. $1	27¾	+⅛	$3.00	—	6.0
42¼	22¼	TRW Inc. $0.625	25¼xd	+⅛	b$1.60	—	3.5
37¼	21⅞	Tenneco $5	22⅞xd	+½	$3.04	—	7.3
220	149½	Do. 10pcLn.Stk. 91-5	155xd		10%	—	14.7
29⅝	15⅝	Texaco $6.25	18⅞xd	–½	$3.00	—	8.7
74¾	36⅞	Time Inc. $1	41⅝xd	+⅛	$1.00	—	1.3
20⅞	11	Tracor $0.33(1/3)	17¼xd	+⅛	40c	—	1.3
30⅝	15⅞	Transamerica $1	15⅝xd	–⅛	$1.84	—	6.4
14⅝	1¼	Transworld Corp $5	850p	+5	20c	—	1.3
27⅝	12¼	TRINOVA Corp	16⅝	–⅛	56c	—	1.8
24¾	12⅝	♦USX $1	16¾		$1.20	—	3.9
37⅝	16¼	Utd. Technologies	18¼xd	+⅛	$1.40	—	4.2
38⅝	25⅝	US West‖	27½	+⅜	$3.28	—	6.5
30⅛	17⅞	Waste Management $1	19⅝xd	+⅛	—	—	—
31⅝	11⅝	Whirpool $1.0	12½		—	—	—
37⅞	16½	♦Woolworth $3½	18	+⅛	$1.32	—	4.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES — Contd

ELECTRICALS

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INDUSTRIALS (Miscel.) — Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES – Contd

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	348	+6	†10.5	–	4.1	–
*1111½	733	Prudential	[illegible]	–3	†29.0	–	5.0	–
598	350	Refuge 5p	408	+5	15.75	–	5.3	–
995	345	Royal	389	+3	†15.5	–	5.5	–
110	75	Sathre Ins. Invs	80	+5	–	–	–	–
*345	168	Sedgwick Group 10p	221	+18	12.2	1.7	7.4	9.4
339	138	Steel Burrill J.10p	149	+5	†9.0	2.0	8.6	8.0
612	308	Sturge Hldgs 20p	323	+3	†6.0	2.5	2.5	21.2
£12½	645	Sun Alliance	838	+28	†23.5	–	3.8	–
£13	865	Sun Life 5p	898	–2	†28.5	–	4.3	–
[illegible]	[illegible]	†Taisho M EDR	[illegible]	[illegible]	[illegible]	–	1.0	–
£22½	£12¾	Torchmark $1.00	£12⅞	[illegible]	Q$1.00	–	4.3	–
410	235	Trade Indemnity	355	–2	†4.3	–	1.7	–
234	£17¾	Travelers $1.25	£18¼	[illegible]	$2.28	–	6.8	–
£30¼	£15¾	USF & G Corp $2.50	£15¼	[illegible]	Q$2.40	–	8.6	–
£33¾	£15½	USLIFE Corp. $1.0	£15⅝	[illegible]	Q$1.28	3.2	4.5	7.0
738	555	Wkd Friendly 8 10p	570		21.0	–	5.0	–
464	192	Willis Faber 12½p	223	+10	†10.75	2.4	6.6	8.5
128	41	Windsor Secs. 10p	63	+4	†0.7	1.5	1.5	–

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	†A & M Group 10p	13	–1	–	–	–	–
242	77	Airtours 10p	78	+1	L6.4	♦	10.1	♦
*549	253	Anglia TV	304	+10	†11.25	3.3	5.1	8.4
194	77	†Aspinall Hldgs. 10p	160		†6.0	1.2	5.1	21.9
141	62	†Avesco 1p	71		0.5	6.7	1.0	20.1
72	40	†BCE Hldgs 5p	46	–1	L0.0	♦	3.0	♦
300	132	Barr & W.A.T. 'A'	185		†8.0	1.4	5.9	15.1
58	22	Bond Media	24		–	–	–	–
295	165	Boosey & Hawkes	173	+3	–	–	–	–
83	28	†Border T.V.	41	–1	1.4	♦	4.7	♦
*435	43½	Brent Walker 10p	280		†9.5	2.2	4.9	13.5
124	79	Do 6pc.Cv.Cu.Rd.Pf.	94xd		6.0	–	8.7	–

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES – Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

LONDON STOCK EXCHANGE

Equities advance for the seventh time in the past eight trading sessions

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 7	Dec 17	Dec 18	Jan 4
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

*New time dealings may take place from 9.00 am two business days earlier.

UK EQUITIES took a more confident stride along the road yesterday which both traders and investors hope will lead to a sustained recovery in leading shares before the end of financial calendar year. For the seventh time out of the past eight trading sessions, the main market indices progressed with the FT-SE 100 share extending its rise over the current Account to 107 points. On the day the "Footsie" index was 19.8 higher at 1689.8.

This was not a a particularly sharp gain by any standards but, taken in context, was an impressive movement for the trend had been easier in pre-market business. Uncertainty over the outlook for crude oil prices together with Wall Street's rather indecisive performance overnight were the factors citedfor the dull start.

The announcement of a net repayment of £1.55bn on public sector borrowing during November - estimates had ranged from a deficit of £300 to a surplus of £1.75bn - was encouraging news but prices had begun their move higher before the 11.30 am disclosure.

Agency brokers reported some decent early orders for the major exporters on the back of the slightly lower pound, while technical demand for the underlying securities was prompted by the expiry of the December traded options contract. Institutional operators continued to trade stock on a short-term basis without displaying enthusiasm to invest longer.

The morning surge carried the FT-SE index up over 28 points but with business thereafter largely confined to marketmakers squaring their positions the tone softened. A reactionary trend early yesterday on Wall Street ensured a continuation of the movement in London.

The Wood Mackenzie research team comments " FT-SE is moving solidly towards the top of our trading range. The downside now appears clearly established and longer term UK equities offer reasonable returns. However, the bond markets are telling us that major uncertainties exist, and therefore the major break above 1700 will have to wait until the New Year.

Gilt-edged securities shied at the good PSBR news after failing to respond earlier to a stronger tone in US Treasury bills. The action switched to the shorter end of the market following the £1bn issue of new Treasury 8 per cent Convertible 1990 stock.

Demand for the stock was heavier than had been anticipated with market sources suggesting that some £750m, in £50-paid form, could have been sold. Tenders were allotted in full at the minimum tender price of £98. UK building societies, and certain overseas institutionals, were thought to be the main buyers because the stock offered serious opportunities for future gearing on conversion.

Shorter-dated bonds turned lower reflecting a lack of investment funds and the belief that the unsold supplies of the new stock could weigh on the market. Most rallied from the lowest to close with losses of ¼ or so on the day. The longs eased only marginal amounts.

Britoil shares continued to mirror market stories that a full bid could be on the way from BP and moved ahead strongly to close a net 14 higher at 406p.

The UK independent oil company's shares were well bid first thing as Salomon Bros, the US securities house, moved back into the market, apparently on behalf on ARCO and bid 390p a share for up to 22m Britoil shares, or around 4 per cent of Britoil's equity. Salomon's success was apparently limited.

A full bid by BP for Britoil, some time today,is still expected by dealers who pointed to strong buying yesterday by marketmakers known to have acted previously on behalf of other major International oil and gas groups.

BP continued to attract substantial interest with the Kuwait Investment Office said to have virtually completed its buying programme aimed at acquiring a 15 per cent stake in BP – a story confirmed after hours when it was announced that the KIO stake had been increased to 15.02 per cent. This news immediately triggered stories that the KIO could now be gearing up for a much bigger stake in the UK's biggest company. BP "new" shares were finally a penny off at 70½p with another big turnover in the shares - 47m moved through the system. But what interested traders and analysts of the oils sector more was the bigger than usual turnover in BP "old" or fully-paid shares where a turnover of 25m shares saw the share price close a net penny off at 244p.

Demand for the "new" was apparently carried out via the normal channels for the KIO stake but buying of the old was persistent and carried out by at least two other traders, mainly on the inter-dealer broking system.

Tricentrol, currently the subject of a 145p a share bid from French group Elf, slipped 4 to 168p despite the revelationthat securities house Kleinwort Grieveson had offered a 9.5 per cent stake in Tricentrol to the merchant bank advising Elf at 200p a share.

Other leading oils continued to reflect recent take-profits advice from at least three top UK securities house and **Enterprise** dropped 15 more to 249p, **LASMO** 9 to 269p and **Ultramar** 5 to 178p.

Sentiment in the oils sector was additonally upset by news that Brent crude for January delivery had dipped back to close at $16.75 a barrel after initially edging up to $17 a barrel.

MK Electric shares raced higher to close a net 45 up at 706p after RTZ moved to increase its offer to 700p a share, valuing the company at some £263m. The mining group originally offered 550p a share for MK after launching a dawn raid which accumulated a near 22 per cent stake in the electrical group. French group Legrand subsequently topped RTZ's offer and bid 660p a share for MK.

Buying of MK after RTZ's agreed bid reflected minor speculative interest based on hopes of yet another bid for the company, dealers said.

Grand Metropolitan continued firmly to close at 410p despite news that the French arm of Seagrams, the big Canadian drinks group, is to buy more than 40 per cent of French cognac company Martell. Grand Met has been recently attempting to increase its stake in Martell. Seagram's subsidiary has agreed to pay 2,500 francs per share for the founding family's holding. The news seems to contradict recent reports that Grand Met has been seeking to increase its shareholding in Martell from 10 to around 20 per cent with the Martell family's approval.

Dealers brushed aside the news and preferred to look forward to today's annual results. Profits are expected to be revealed of £450m compared with last year's restated figure of £368m.

Worries about third world debts failed to trouble a banking sector which, according to dealers, lacked any substantial interest. **Lloyds** were a shade off and closed 4 down at 223p. Merchant banks, however, were well bid and featured **Morgan Grenfell** which jumped 8 to 251p. **Kleinwort Benson** added 4 at 288p.

The insurance sector was again featured by heavy buying interest triggered by rumours of imminent bids in all three sectors. **Pearl**, a bid candidate in recent, weeks were the outstanding performer in lifes and rose 6 to 348p on the back of a buy recommendation from BZW, while **London and Manchester**, boosted by a brokers recommendation, added 5 more to 230p.

Commercial Union continued to hold pride of place in composites, with sentiment helped by persistent talk of an imminent dawn raid and bid from West Germany's Allianz. **General Accident** jumped 18 to 851p, **Guardian Royal Exchange**2 to 838p and **Royal** 3 to 389p. A bear squeeze saw **Sun Alliance** race up 28 to 838p.

Brokers proved one of the market's best performing sectors after a firm dollar and rumours of imminent takeovers in the sector. **Minet**, where St Paul of Minnesota is bidding 475p a share in cash, moved up 19 to 457p, while **CE Heath** were 5 harder at 393p and **Willis Faber** 18 to the good at 221p.

Regional brewers continued to hold the limelight in the wake of a steady stream of trading statements. **J.A. Devenish** met with further support following the preliminary figures and closed 20 up at 288p. Despite the 49 per cent rise in profits, County NatWest, the investment house, is looking for a further substantial increase in earnings and rate the shares as a "buy".

Scottish and Newcastle edged a few pence higher to close at 212p after announcing annual results much in line with market expectations while **Guinness**, reflecting news that the proposal to purchase its own shares has been approved by shareholders, gained 2 to 290p. **Allied Lyons** were a relatively lively market and closed 9 to the good at 338p.

Building issues had another good day. Turnover continued to expand and prices moved steadily higher boosted by the latest PSBR figure. Among those stocks to improve, **Redland** stood out with a gain of 15 at 401p. **Rugby** touched 220p at one stage before settling a net 12 up at 217p following a sizeable buying order reportedly conducted through market makers Smith New Court. **Blue Circle** firmed 2 to 327p helped by traded option activity. **BPB Industries** found support at 245p, up 5, while **Marley**, still reflecting a broker's recommendation, gained a similar amount to 135p. **Ruberoid** enjoyed a speculative run and touched 140p prior to closing 7 higher on balance at 134p. In the Construction sector, **Barratt Developments** made fresh progress to close 9 higher at 179p, but recent speculative favourite **George Wimpey** encountered profit-traking and shed 10 to 222p. **Tarmac** edged up 7 to 227p and **Wilson (Connolly)** gained 8 at 294p.

Chemicals met with selective buying interest. **Laporte** rose 10 to 358p and **Allied Colloids** added 3 to 108p, the latter helped by a broker's recommendation. **ICI** flucutated narrowlyignoring the better overall tone and closed virtually unchanged at £10¼.

Storehouse shares raced up to close 18 higher at 264p amid talk that a counter bid to the Benlox offer, which closes on Friday could be on the cards. Turnover in Storehouse totalled 6.3m shares. **Dixons**, upset by rumours of a profits downgrading by a leading broking house, slipped 4 to 202p.

Among the Engineers, **Wheesoe** came into prominence, closing 9 to the good at 100p as Overseas Strategic Investments announced that it had disposed of its 6.2 per cent holding in the company. **Rolls-Royce** were an active market (around 9m shares changed hands) and settled 6 better at 116p. **Birmid Qualcast** put on 6 to 316p following the company's further rejection of Blue Circle's 300p per share cash offer.

Selected leading Foods moved higher amid a much healthier turnover. **Tate and Lyle**, with 645,000 shares traded, rose 10 to 705p, while **Hillsdown** attracted further demand and put on 5 to 270p. **Argyll**, although little changed on the day, were actively traded with some 5.3m shares changing hands. **J.Sainsbury** hardened a couple of pence to 222p and **Tesco**, boosted by reports of a broker's recommendation, added 2 to 158p. Elsewhere, **Nurdin and Peacock** revived strongly with a gain of 8 at 129p, but **William Morrison** eased back on profit-taking to close 14 cheaper at 271p. **Borthwick** shed a penny to 38p following poor annual results, but **Ascetos and Hutcheson** added 4 to 429p in response to good preliminary figures. **Appletree** gained 12 to 135p in a restricted market.

Trusthouse Forte were supported at 215p, up 5, as vague bid rumours resurfaced. **Ladbroke**, mentioned as a possible suitor, agined 9 to 339p on talk of a broker's recommendation.

International stocks made a firm start, but closed well below the best as sterling rallied from an initial fall.**Hanson** were one of the most actively traded stocks (some 5.7m shares changed hands) before settling 4 firmer on the day at 131p. Among the other more noteworthy movements, **Reed International** held a rise of 12 at 394p, but the volume of trade was only small while **BOC** ended a similar amount higher at 377p. **Glaxo** remained a subdued market and closed with little alteration at 968p; Salomon Brothers, the US investment house, are taking a tactical stance on the stock and are advising clients to sell on any rise in the share price.

Elsewhere, **Wellcome**, up 15 at 384p, remained in the limelight in the wake of a Press article in the Financial Times suggesting that the company's anti/Aids drug Retrovir is unlikely to meet with a competitor for at least the next 18 months. **Morgan Crucible**, in contrast, dipped 10 to 242p in the wake of the agreement to purchase Insulating Products Group from McDermott International for a consideration of £37m. The deal is to be partly financed by the issue of 320m Convertible Preference shares of £1 each at par. However, acquisition news prompted a gain of 11 at 389p in **British Vita** and left **Bowater** a few pence firmer at 341p. **Redfearn**, in which Overseas Strategic Investments increased its stake to 29.95 per cent, featured with a fresh gain of 19 at 444p making a two-day rise of 95. **English China Clays** closed a few pence easier at 391p after announcing preliminary figures much in line with market expectations. Bid hopes enlivened fresh interest in **Bridon** which rose 8 to 154p. **BAA**, reflecting the November traffic figures, improved 3 to 98p.

Midsummer Leisure replied strongly to news of doubled annual profits, the price rising 21 to 297p.

The Motor sector displayed several good gains. **Jaguar** attracted fresh support at 283p, up 6, while **Lucas** rose 13 to 517p. **ERF** were a feature following details of sharply increased half-year profits and rose 30 to 218p. Among Distributors, **Caffyns** scored following excellent interim figures and closed some 32 higher at 415p. **Appleyard** advanced 20 to 328p and **C.D. Bramall** put on 25 to 475p. **Lex Service** firmed 8 to 271p.

Confirmation of the acquisition of Californian based Mendoza Dillon and Asociados left **WPP** 8 to the good at 366p. **WCRS**, up 10 at 205p, reflected the purchase of Cohn Wells for an initial consideration of £1.8m with further payments of up to a maximum of £8.2m. **VPI**, helped by currency influences, advanced smartly to close 16 higher at 284p.

Waverley Cameron, in which James Gulliver recently acquired a near 13 per cent stake, continued to move ahead strongly, closing 40 higher at 503p.The company is expected to be used as a vehicle to build up a Scottish consumer products and services group.

Leading Properties made fresh progress although the excitment caused by the market raid on **Great Portland Estates** on Tuesday was lacking. In fact, Great Portland, after Tuesday's heady gain following the purchase of a 12.2 per cent stake by an institutional client of Warburg Securities, eased back on profit-taking to close 10 cheaper at 296p.

Peachey attracted renewed speculative buying and firmed 5 afresh to 365p, after 368p, while **Egerton Trust**, in a market short of stock, put on 17 to 159p a three-day rise of 31. **Parkdale** revived with a gain of 12 at 114p and **Speyhawk** advanced 22 to 290p.

P. and O. Deferred came to life, rising 18 to 514p.

Bat Indsutries, mainly reflecting currency influences, moved ahead to around 437p before settling 11 higher on the day at 432p.

Traded option activity expanded in line with increased volumes in equities. Contracts totalled 32,078 comprising 22,842 calls and 9,236 puts. **Hanson** contributed 2,646 calls and 129 puts. **Boots** registered 709 calls and 1,604 puts. The **FTSE** contract attracted 619 calls and 777 puts.

Traditional Options

- First dealings Dec 14
- Last dealings Dec 31
- Last declarations Mar 17
- For Settlement Mar 28

For rate indications see end of London Share Service

Stocks to attract money for the call included **Oxford Instruments, NatWest, Brunswick Oil, Sainsbury, Lonrho, Fisons, STC, MS International, Pentland Industries, Sound Diffusion, Renold, BOM Holdings, North Kalgurli, Norton Opax and Costain**. No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Dec. 16	Dec. 15	Dec. 14	Dec. 11	Dec. 10	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	87.66	87.98	87.94	88.37	88.94	82.13	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.90	96.05	96.01	96.21	96.52	89.15	99.12 (15/6)	90.25 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1348.9	1332.0	1312.4	1310.7	1285.0	1276.1	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	320.4	327.5	336.0	327.3	328.3	315.9	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.64	4.70	4.77	4.72	4.83	4.47				
Earnings Yld. % (full)	11.59	11.74	11.87	11.68	11.95	10.60				
P/E Ratio (net)(*)	10.57	10.43	10.32	10.48	10.24	11.57				
SEAQ Bargains (5pm)	24,307	21,298	21,883	23,258	25,469	34,415				
Equity Turnover (£m)	-	1130.65	934.61	1318.86	1149.41	1270.07				
Equity Bargains	-	24,017	23,344	25,993	25,222	62,517				
Shares Traded (ml)	-	555.2	358.0	616.4	588.8	586.9				

S.E ACTIVITY

Indices	Dec.15	Dec.14
Gilt Edged Bargains	94.9	111.8
Equity Bargains	155.6	151.3
Equity Value	2285.3	1889.1
5-Day average		
Gilt Edged Bargains	103.3	109.7
Equity Bargains	158.1	159.4
Equity Value	2254.1	2298.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1331.2	1344.4	1351.4	1359.7	1359.4	1359.1	1356.4	1349.7

Day's High 1360.9 Day's low 1331.2

Basis 100 Govt. Secs. 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.45.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (2).

ELECTRICALS (1) MK Electric, OILS (1) Britoil.

NEW LOWS (37).

AMERICANS (7) CANADIANS (1) BANKS (3) BUILDINGS (2) STORES (2) ELECTRICALS (3) FOODS (2) INDUSTRIALS (6) INSURANCE (1) LEISURE (2) PROPERTY (1) TRUSTS (4) OILS (2) OVERSEAS TRADERS (1) MINES (3) THIRD MARKET (3).

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 16 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tue Dec 15 Index No.	Mon Dec 14 Index No.	Fri Dec 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	689.56	+1.4	10.42	4.19	12.04	28.46	679.82	669.04	664.39	674.25
2	Building Materials (30)	879.21	+1.5	11.21	4.28	11.09	26.06	866.27	852.03	841.93	858.83
3	Contracting, Construction (33)	1308.91	+1.8	10.16	3.85	13.06	34.66	1287.73	1255.58	1224.74	1162.80
4	Electricals (14)	1949.00	+2.0	9.39	4.77	13.85	64.72	1911.20	1873.90	1892.22	1723.94
5	Electronics (33)	1481.60	+1.5	10.75	3.51	12.15	38.48	1459.45	1436.81	1418.57	1434.15
6	Mechanical Engineering (60)	351.63	+2.4	10.60	4.69	11.88	12.17	343.42	337.16	336.55	382.82
8	Metals and Metal Forming (7)	423.78	+1.7	9.97	3.96	12.10	12.48	416.79	414.35	419.72	347.29
9	Motors (14)	245.67	+2.0	12.25	4.74	9.51	7.36	240.90	235.27	233.64	262.67
10	Other Industrial Materials (23)	1194.34	+0.2	8.84	4.35	13.45	37.65	1191.99	1183.98	1186.32	1171.25
21	CONSUMER GROUP (182)	997.86	+1.4	8.73	3.63	14.57	24.88	984.29	974.72	976.31	935.07
22	Brewers and Distillers (21)	952.16	+1.4	10.95	4.03	11.51	24.09	939.35	937.56	938.47	934.76
25	Food Manufacturing (23)	814.22	+0.9	9.46	3.96	13.55	22.50	807.32	797.46	792.29	730.18
26	Food Retailing (17)	2008.77	+0.5	7.98	3.04	16.71	47.36	1998.65	1988.00	1964.09	1820.51
27	Health and Household Products (10)	1716.57	+1.4	6.84	2.62	17.44	33.67	1692.76	1675.23	1719.63	1598.61
29	Leisure (29)	1079.57	+1.3	8.08	4.32	15.45	29.83	1066.13	1055.24	1048.29	963.34
31	Packaging & Paper (16)	483.35	+2.9	8.72	3.75	15.09	12.53	469.62	462.58	462.15	482.56
32	Publishing & Printing (15)	3217.14	+2.9	6.81	4.54	18.55	98.06	3126.33	3046.69	3020.27	2700.80
34	Stores (35)	824.84	+1.5	9.14	3.67	14.60	20.18	812.77	808.67	814.05	814.06
35	Textiles (16)	588.25	+2.2	11.18	4.00	10.30	17.60	575.72	556.19	553.44	543.21
40	OTHER GROUPS (87)	814.37	+1.6	11.33	4.54	10.97	22.64	801.79	787.77	785.29	799.03
41	Agencies (17)	978.00	+0.6	7.15	2.45	17.86	17.18	972.00	948.60	953.38	0.0
42	Chemicals (21)	1022.11	+1.1	10.00	4.58	12.28	33.55	1010.97	982.31	973.05	1000.29
43	Conglomerates (13)	1089.04	+1.8	10.92	4.79	10.51	28.57	1069.95	1042.47	1036.15	0.0
45	Shipping and Transport (11)	1698.64	+2.4	10.03	4.85	13.07	57.73	1659.05	1624.15	1637.61	1513.40
47	Telephone Networks (2)	847.06	+1.4	12.71	5.08	10.47	20.21	835.50	829.69	828.69	883.05
48	Miscellaneous (23)	1120.29	+2.2	13.72	4.26	8.67	34.90	1096.03	1067.88	1080.45	1102.84
49	INDUSTRIAL GROUP (483)	876.17	+1.4	9.86	4.61	12.77	23.54	863.70	852.16	850.61	840.71
51	Oil & Gas (17)	1630.90	——	10.19	4.83	12.10	65.84	1631.69	1612.85	1633.88	1469.89
59	500 SHARE INDEX (500)	940.14	+1.2	9.91	4.31	12.67	27.18	928.81	916.65	917.83	893.99
61	FINANCIAL GROUP (121)	608.74	+0.7	–	5.14	–	22.25	604.22	598.94	595.92	606.20
62	Banks (8)	602.96	-0.1	22.12	6.49	5.98	26.94	603.78	610.37	609.45	668.73
65	Insurance (Life) (8)	898.68	——	–	5.12	–	32.56	898.16	893.05	880.92	856.96
66	Insurance (Composite) (7)	504.57	+2.0	–	5.46	–	20.16	494.62	483.47	473.20	452.21
67	Insurance (Brokers) (8)	889.58	+5.9	12.48	6.46	10.26	40.26	840.37	827.18	832.95	1159.62
68	Merchant Banks (11)	312.29	+0.2	–	4.57	–	10.09	311.72	310.11	311.57	341.76
69	Property (49)	936.48	+0.7	5.60	3.28	22.85	22.00	930.04	904.70	905.06	798.88
70	Other Financial (30)	357.51	+0.7	10.14	4.43	12.47	11.96	354.94	352.28	352.54	363.15
71	Investment Trusts (87)	777.81	+0.8	–	3.25	–	17.82	771.78	762.01	760.52	869.27
81	Mining Finance (2)	435.97	-0.2	10.43	3.91	10.80	12.77	436.91	447.97	426.19	327.76
91	Overseas Traders (10)	925.11	+1.3	9.77	5.40	12.01	37.00	912.85	893.48	884.25	750.55
99	ALL-SHARE INDEX (720)	851.61	+1.1	–	4.41	–	25.52	842.23	832.18	831.08	817.34

	Index No.	Day's Change	Day's High	Day's Low	Dec 15	Dec 14	Dec 11	Dec 10	Dec 9	Year ago
FT-SE 100 SHARE INDEX ♣	1689.8	+19.8	1698.1	1669.2	1670.0	1652.6	1651.6	1619.6	1629.3	1636.3

FIXED INTEREST

	PRICE INDICES	Wed Dec 16	Day's change %	Tue Dec 15	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.59	-0.42	123.29	0.17	11.00
2	5-15 years	136.91	-0.42	138.83	0.54	13.71
3	Over 15 years	143.44	-0.17	144.88	1.21	14.01
4	Irredeemables	159.34	-0.58	160.27	–	13.59
5	All stocks	134.22	-0.38	135.25	0.52	12.93
	Index-Linked					
6	5 years	124.41		124.40	–	2.18
7	Over 5 years	117.03	+0.01	117.02	–	3.15
8	All stocks	117.46	+0.01	117.45	–	3.06
9	Debentures & Loans	117.10	-0.31	117.46	–	10.64
10	Preference	85.51	+0.02	85.50	–	6.15

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 16	Tue Dec 15	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	8.98	8.84	9.89
2		15 years	9.68	9.65	10.46
3		25 years	9.49	9.47	10.46
4	Medium Coupons	5 years	9.66	9.50	11.21
5		15 years	9.88	9.84	10.80
6		25 years	9.69	9.66	10.47
7	High Coupons	5 years	9.75	9.57	11.26
8		15 years	10.02	9.98	10.98
9		25 years	9.75	9.72	10.53
10	Irredeemables	†	9.41	9.29	10.20
	Index-Linked				
11	Inflation rate 5%	5yrs	2.83	2.82	3.02
12	Inflation rate 5%	Over 5 yrs	3.88	3.88	3.76
13	Inflation rate 10%	5 yrs	3.20	3.19	2.23
14	Inflation rate 10%	Over 5 yrs	3.95	3.95	3.59
15	Debs & Loans	5 years	10.89	10.82	11.76
16		15 years	10.91	10.86	11.68
17		25 years	10.92	10.89	11.59
18	Preference	†	10.60	10.60	11.85

♣Opening index 1669.2; 10 am 1682.7; 11 am 1688.3; Noon 1697.2; 1 pm 1696.7; 2 pm 1697.6; 3 pm 1696.2; 3.30 pm 1690.8; 4 pm 1689.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	2,000	Enterprise Oil	704	Prudential	181
Allied-Lyons	1,300	Fisons	1,600	Racal	4,300
Amstrad	402	Gen. Accident	306	Rank Org.	266
Argyll Group	4,900	Gen. Elect.	3,100	RMC	12
Assoc. Brit. Foods	146	Glaxo	6,300	RHM	339
BAA	4,800	Globe Investment	790	Reckitt & Col.	347
BAT	4,300	Granada	944	Redland	718
BET	1,800	Grand Met	4,500	Reed Intl.	710
BICC	376	GUS A	328	Reuters	915
BOC	1,900	Guardian R.E.	922	RTZ	1,100
BPB Inds	669	GKN	1,600	Rolls-Royce	8,400
BTR	4,400	Guinness	2,900	Rothmans	698
Barclays	1,600	Hammerson	414	Rowntree	527
Bass	663	Hanson Trust	5,700	Ryl Bank Scotland	457
Beecham	3,800	Hawker Sidd	665	Royal Insurance	1,200
Blue Arrow	796	Hillsdown Hldgs	3,400	STC	2,700
Blue Circle	486	IMI	2,600	Saatchi & Saatchi	1,100
Boots	3,900	ICI	3,500	Sainsbury	353
Brit. Airways	4,800	Jaguar	3,700	Scott & Newcastle	1,800
Brit. Aero	1,800	Ladbroke	3,000	Sears	1,900
Brit. & Comm.	774	Land Securities	4,200	Sedgwick	2,200
British Gas	13,000	Laporte	229	Shell Trans	1,600
Britoil	29,000	Legal & Gen.	419	Smith & Nephew	1,100
BP	25,000	Lloyds Bank	2,150	Standard Chart.	409
Brit. Telecom	8,500	LASMO	1,300	Storehouse	5,800
Bunzl	1,700	Lonrho	2,000	Sun Alliance	151
Burmah Oil	484	Lucas	634	T & N	352
Burton	2,300	MEPC	142	TSB	999
Cable & Wire	2,700	Marks & Spencer	1,900	Tarmac	1,500
Cadbury Schweps	1,900	Maxwell Comms.	1,800	Tesco	3,100
Coats Viyella	1,000	Metal Box	4,800	Thorn EMI	1,100
Comm. Union	1,700	Midland Bank	1,000	Trafalgar House	5,500
Cons. Gold	428	NatWest Bank	811	T'house Forte	1,600
Cookson	657	Next	1,200	Ultramar	1,300
Courtaulds	374	Northern Foods	1,000	Unilever	2,800
Dalgety	711	Pearson	519	United Biscuits	1,500
Dee Corpn	3,600	Pearl Assurance	307	Wellcome	2,100
Dixons Group	3,300	P & O	1,500	Whitbread A	673
English China Clays	2,600	Pilkington Bros	1,700	Woolworth	3,400
		Plessey	6,200		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	108	7
Corporations, Dominion and Foreign Bonds	1	28	24
Industrials	578	268	720
Financial and Properties	223	103	310
Oils	14	35	61
Plantations	3	2	9
Mines	35	78	85
Others	113	50	76
Totals	967	672	1,292

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

ITALY [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SPAIN [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ≠ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO
Closing prices December 16

[illegible]

MONTREAL
Closing prices December 16

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

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Indices

NEW YORK — DOW JONES

	Dec. 15	Dec. 14	Dec. 11	Dec. 10	1987 High	1987 Low	Since compilation High	Since compilation Low
◆Industrials	1941.48	1932.86	1867.04	1855.44	2722.42 (25/8)	1738.42 (19/10)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	85.98	85.78	85.98	86.05	95.51 (9/2)	81.26 (19/10)	–	–
Transport	731.0	721.14	699.00	692.38	1101.16 (14/8)	661.00 (4/12)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	177.81	177.81	175.82	174.75	227.83 (22/1)	160.98 (19/10)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 1969.00 (1942.31) Low 1916.28 (1850.41)

	Dec. 15	Dec. 14	Dec. 11	Dec. 10	1987 High	1987 Low	Since compilation High	Since compilation Low
STANDARD AND POOR'S Composite ‡	242.80	242.19	235.32	233.57	336.77 (25/8)	223.92 (4/12)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	280.20	279.45	271.15	269.14	393.17 (25/8)	255.43 (4/12)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	20.70	20.85	20.43	20.42	32.43 (25/8)	20.39 (7/12)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	135.61	135.26	131.79	131.07	187.99 (25/8)	125.91 (4/12)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	248.82	247.17	242.72	241.04	365.01 (13/8)	231.90 (4/12)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	312.68	309.36	302.57	300.81	455.28 (26/8)	291.90 (28/10)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec. 11	Dec. 4	Nov. 27	year ago (approx.)
Dow Industrial Div. Yield	3.69	3.88	3.59	3.61

	Dec. 9	Dec. 2	Nov. 25	year ago (approx.)
S & P Industrial div. yield	3.24	3.86	3.69	2.94
S & P P/E ratio	15.25	14.73	15.34	17.99

TRADING ACTIVITY † Volume (Millions)

	Dec. 15	Dec. 14	Dec. 11
New York	215.972	187.690	151.608
Amex	14.464	13.175	11.420
OTC	153.253	144.966	118.027

NEW YORK	Dec. 15	Dec. 14	Dec. 11
Issues Traded	1,979	1,999	1,952
Rises	924	1,285	838
Falls	676	389	658
Unchanged	379	325	456
New Highs	13	7	6
New Lows	55	59	67

CANADA

TORONTO	Dec. 15	Dec. 14	Dec. 10	Dec. 9	1987 High	1987 Low
Metals & Minerals	2624.1	2655.8	2473.9	2489.9	3507.5 (5/10)	1988.2 (2/1)
Composite	3144.5	3171.0	3054.1	3063.7	4112.9 (13/8)	2843.9 (10/11)
MONTREAL Portfolio	1600.20	1607.7	1536.37	1551.50	2224.77 (16/7)	1435.94 (26/10)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Citicorp	2,949,400	16¾	– ⅛
Navistar	2,533,400	4¼	+ ⅛
General Electric	2,362,600	45⅝	+ ½
IBM	2,323,400	116	+ ⅞
Exxon	2,155,500	39¾	– ⅞
Chemical N.Y.	1,911,400	21	– 3
AT&T	1,855,900	28¼	– ⅛
Adam Ever	1,840,800	29	+ ⅛
American Express	1,785,800	23¼	+ ½
Glaxo	1,688,900	17¼	– ⅞

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Dec. 16	Dec. 15	Dec. 14	Dec. 11	1987 High	1987 Low
AUSTRALIA All Ordinaries (1/1/80)	1249.1	1298.7	1222.4	1219.2	2305.9 (21/9)	1151.0 (11/11)
All Mining (1/1/80)	748.2	760.7	738.8	729.6	1462.4 (14/10)	586.9 (11/11)
AUSTRIA Credit Aktien (30/12/84)	179.95	178.81	177.27	178.50	252.19 (22/1)	172.01 (11/11)
BELGIUM Brussels SE (1/1/84)	3540.5	3526.0	3511.2	3534.3	5422.2 (13/8)	3511.2 (14/12)
DENMARK Copenhagen SE (3/1/83)	(u)	184.96	184.11	182.93	219.76 (27/8)	179.60 (20/11)
FINLAND Unitas General (1975)	546.7	549.3	551.1	557.1	679.1 (15/10)	425.2 (5/1)
FRANCE CAC General (31/12/82)	287.8	282.8	277.3	270.3	464.4 (26/3)	270.3 (11/12)
Ind. Tendance (31/12/86)	74.9	73.4	72.0	70.4	117.2 (26/3)	69.6 (10/12)
GERMANY FAZ Aktien (31/12/58)	441.36	432.09	426.67	424.88	676.84 (6/1)	400.15 (10/11)
Commerzbank (1/12/53)	1356.7	1327.8	1308.3	1304.8	2061.1 (7/8)	1232.9 (10/11)
HONG KONG Hang Seng Bank (31/7/64)	2145.71	2080.62	2040.62	1989.58	3949.73 (1/10)	1894.94 (7/12)
ITALY Banca Com. Ital. (1972)	501.22	493.80	488.04	491.92	767.34 (30/4)	476.27 (10/11)
JAPAN ** Nikkei (16/5/49)	22819.42	22846.73	22926.28	23035.81	26646.43 (14/10)	18544.00 (13/1)
Tokyo SE New (4/1/68)	1837.08	1844.55	1845.39	1857.23	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS ANP-CBS General (1970)	212.2	208.3	203.4	199.6	314.1 (14/8)	192.2 (10/11)
ANP-CBS Industrial (1970)	160.6	157.4	154.9	151.8	280.8 (11/8)	147.5 (10/11)
NORWAY Oslo SE (4/1/83)	322.13	324.52	324.14	317.81	592.04 (21/9)	307.48 (10/11)
SINGAPORE Straits Times Ind. (30/12/66)	763.2	750.5	741.0	724.0	1505.4 (26/8)	700.4 (7/12)
SOUTH AFRICA JSE Gold (28/9/78)	(c)	(u)	1942.0	1789.0	2499.0 (3/8)	1448.0 (5/11)
JSE Industrial (28/9/78)	(c)	(u)	1449.0	1453.0	2266.0 (16/10)	1402.8 (23/11)
SPAIN Madrid SE (30/12/85)	219.40	212.49	211.86	206.98	325.44 (4/10)	201.98 (4/12)
SWEDEN Jacobson & P. (31/12/56)	2135.50	2138.60	2111.90	2123.60	3550.40 (9/10)	2068.60 (10/11)
SWITZERLAND Swiss Bank Ind. (31/12/58)	472.1	466.8	462.2	461.1	729.7 (5/10)	450.9 (10/11)
WORLD M.S. Capital Intl. (1/1/70)	(u)	404.5	403.7	398.5	495.9 (27/8)	361.3 (2/1)

** Saturday December 12: Japan Nikkei (c), TSE (c).

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed.(u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Appletree Hldgs.	135	+ 12
BAT Inds.	432	+ 11
Barratt Devs.	179	+ 9
British Vita	389	+ 11
Britoil	406	+ 14
Caffyns	415	+ 22
Delta Group	249	+ 12
Devenish (J.A.)	286	+ 20
E.R.F. (Hldgs.)	218	+ 30
Egerton Trust	159	+ 17
GUS A	$11⅝	+ ⅜
Midsummer Leisure	297	+ 21
Redland	401	+ 15
Reed Intl.	394	+ 12
Rugby Group	217	+ 12
Storehouse	284	+ 18
Waverley Cameron	503	+ 40
Wellcome	354	+ 15

FALLS

Great Portland	296	– 10
Morgan Crucible	242	– 10
Wimpey (George)	222	– 10

TOKYO - Most Active Stocks
Wednesday December 16 1987

	Stocks Traded	Closing Prices	Change on day
Nisshin Steel	61.49m	637	+38
Ishikawajima-Harima Heavy Inds	54.50	661	+26
Japan Synthetic Rubber	24.23m	920	+29
Tokyu Construction Rubber	24.17m	925	+35
Nippon Steel	17.88m	404	-4
Yodogawa Steel Works	14.29	1,270	-30
Tokyo Steel Mfg.	13.73m	3,360	+10
Nachi-Fujikoshi	12.55	568	+20
Sumitomo Construction	12.32	685	+16
Nippon Metal	10.41m	716	+11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 5/8	14	AAR s	.36	2.2	15	293	16 1/8	15 7/8	16 1/8	-1/2
32 1/2	18	AFG s	.16	.6	9	x363	25 5/8	24 5/8	25 1/4	+3/8
27	10 1/2	AGS s			13	465	15 3/4	15	15 1/2	+1/8
10 1/2	6 1/4	AMCA				1	6 3/4	6 3/4	6 3/4	
9 3/8	3 1/4	AM Intl			32	757	4 1/2	4 3/8	4 1/2	-1/8
65 1/2	26 3/4	AMR			10	1471	53 4 7/8	32 5/8	34 5/8	+2?
12 1/4	6 3/8	ARX s			7	155	7 1/8	7	7 1/8	+1/8
73 1/2	35 1/8	ASA	2a	4.0		623	51 1/2	49 5/8	50 1/8	+3/8
22 3/8	9 1/2	AVX			18	486	14	13 1/8	14	+1/4
67	40	AbtLab	1	2.1	16	4015	47 3/8	46 1/8	47 3/8	+3/4
28	15 3/8	AbitiBi g				112	19 1/2	19 1/4	19 1/2	+1/4
16 3/4	8 1/2	AcmeC	.40	3.7	15	94	10 7/8	10 5/8	10 3/4	+3/8
10 1/2	6 1/8	AcmeE	.32b	4.6	24	10	7	7	7	
20	14 1/8	AdaEx	3.34e	22.		114	15 1/4	15 1/8	15 1/4	
19 1/2	6 7/8	AdamM	.24	2.9	8	167	8 1/4	8	8 1/4	-1/4
35	16 5/8	AdvSys			13	710	28 1/2	28 1/8	28 1/2	+1/2
24 7/8	7 1/2	AMD				5961	10 1/2	9 5/8	10 3/8	+1/2
56 3/4	29 1/4	AMD pf	3	9.4		526	31 3/4	30 5/8	31 3/4	+7/8
11 7/8	4 5/8	Adobe				948	5	4 3/4	4 7/8	-1/4
20 1/2	15 1/2	Adob pf	1.84	11.		7	17 1/4	17	17	-1/4
21 7/8	17	Adob pf	2.40	12.		1	19 3/4	19 3/4	19 3/4	
15	6 1/8	Advest	.12a	1.5	6	67	7 7/8	7 3/4	7 3/4	-1/4
68 1/4	43 3/4	AetnLf	2.76	6.0	6	2427	45 5/8	44 1/4	45 5/8	+11
83 1/2	33 1/4	AhlPb s	.40	.8	7	758	48 1/2	47	48 3/8	+11
25 7/8	13	Ahmans	.88	6.0	6	4860	14 3/4	13 3/4	14 5/8	+3/4
5 3/8	1 3/4	Aileen				108	2 1/4	2 1/8	2 1/8	
53 7/8	29	AirPrd	1	2.7	13	1852	37	35	37	+2?
38	11 1/8	AirbFrt	.60	4.6	8	198	13 1/4	12 3/4	13	-1/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from Page 38								
18 7/8	9 1/2	PepBy s	.08	.6	22	2107	13 7/8	13 1/4	13 5/8	+1/4
42 1/4	25 1/2	PepsiCo	.58	2.1	15	7202	32 5/8	31 1/4	32 5/8	+3/8
12 3/4	7 3/8	PerkF	1.15e	13.	12	171	9 1/4	9	9	−1/8
41 1/8	18 1/2	PerkEl	.60	2.5		2145	24 1/4	23 5/8	24 1/4	
8 1/8	5 1/8	Prmian	.53e	9.9	11	298	5 3/8	5 3/8	5 3/8	−1/8
10 1/4	6 3/8	PrLP	pf1.15	14.		601	8 5/8	8 1/4	8 3/8	−1/4
15 3/8	5 3/8	PeryDr	.32	3.7		1122	8 3/8	8 1/4	8 3/8	−1/8
40	15	Petrie	.70	4.1	12	1292	17 1/2	16 3/4	17 1/4	+1/2
21 1/4	15 1/2	PtPar	n 2	12.	12	412	16 3/4	16 1/4	16 1/2	
33 1/2	21 3/4	PetRs	3.96e	18.		78	22	21 3/4	21 3/4	−1/4
18 3/4	15	PetRs	pf1.57	10.		9	15 7/8	15 5/8	15 5/8	−1/4
2 1/8	1	Ptrlnv	.16e	16.		106	1	d15-16		
77	40	Pfizer	1.60	4.0	11	10513	44 3/4	41 7/8	44 5/8	+3
86	20 1/2	PhelpD	.60	1.3	23	4550	45 5/8	44 7/8	45 1/4	−1/8
74	37	PhlpD	pf 3	4.9		1575	61 3/4	61	61	−1/2
26	16 3/4	PhilaEl	2.20	12.	8	2868	18 7/8	18 1/2	18 3/4	
45 1/2	34	PhE	pfA3.80	8.5		z800	44 1/2	44 1/2	44 1/2	
49	37 1/2	PhE	pfB4.30	10.		z500	42	42	42	
49	35 1/2	PhE	pfC4.40	11.		z900	41 1/4	41	41	−1/4
54	39	PhE	pfD4.68	10.		z110	45 1/2	45 1/2	45 1/2	+1
97 1/8	69	PhE	pfG8.75	11.		z820	77	77	77	
106	86	PhE	pfS9.50	10.		z700	91 3/4	91 3/4	91 3/4	+1/4
13 3/4	11	PhE	pfR1.41	11.		68	12 3/4	12 1/2	12 5/8	
13 1/4	9 7/8	PhE	pfP1.33	11.		47	11 3/4	11 5/8	11 3/4	
88 3/4	65 3/4	PhE	pfH7.85	11.		z5020	73	71 1/2	72 7/8	
12 7/8	9 3/4	PhE	pfO1.28	11.		130	11 3/4	11 5/8	11 3/4	+1/4
120 1/2	110	PhE	pfM15.25	13.		z570	116 3/4	115 3/4	115 3/4	−3/4
103	79	PhE	pfK9.50	11.		z280	84 7/8	84	84 1/2	+1/2
88	64	PhE	pfJ7.80	11.		z230	69	68 7/8	69	−3/4
19	12 1/8	PhilSub	.94	6.8	15	35	14	13 1/2	13 3/4	−1/4
124 1/2	71 5/8	PhilMr	3.60	3.9	13	6722	93 5/8	91 1/4	93 1/8	+1 1/2
23 7/8	12 1/2	PhilpIn	.44	2.9	17	641	15 3/8	14 3/4	15 1/4	+1/2
27 3/8	13 3/4	PhlGI	.85e	5.3	8	982	16 1/8	15 3/4	16 1/8	+1/8
[illegible]										

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	50	Xerox	3	5.1	13	3392	59 1/4	57 3/8	58 7/8	+1 1/2
58 1/4	52 1/2	Xerox	pf5.45	10.		9	53	52 7/8	53	
31 1/2	18 1/2	XTRA	.64	2.8	14	135	22	20 5/8	22 1/4	+3/4
55 7/8	15 3/8	Yorkin			19	101	25 1/2	25	25 1/2	+1/4
7 1/8	2 5/8	Zapata				922	3 1/8	2 7/8	3	
37	13 1/2	Zayre	.40	2.5	6	5120	16 1/4	15 1/2	16 1/8	+7/8
16 1/8	9 1/4	Zemex	.40	4.2	8	11	9 1/2	9 1/2	9 1/2	+1/8
33 3/4	10	ZenithE				1807	15 1/8	14 3/8	15 1/8	+3/4
13 1/2	2 3/4	ZenLab				989	3	2 3/4	3	
26 1/2	13 1/2	ZenNtl	.80	5.3	7	350	15 1/2	14 7/8	15	−5/8
20 3/8	11 7/8	Zero	.36	2.3	15	607	15 3/4	14 1/2	15 3/4	+5/8
30 3/4	15	Zurnln s	.60	3.7	12	325	16 3/4	17 1/8	16 1/4	+1/4
10 3/4	7 3/8	Zweig	.92e	11.		851	8 1/4	8 1/8	8 1/8	−1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

AMERICAS

Dow climbs as stocks rally in late trading

Wall Street

ANOTHER PLUNGE in crude oil prices provided a boost to an equity market which looked as if it was flagging after its gain of more than 170 points in the last week and a half, *writes Janet Bush in New York.*

The Dow Jones Industrial Average had hovered around Tuesday's closing levels for most of the session but then bounced strongly in late afternoon business to close at 1974.47, a gain of 32.99 points in the day. After a relatively thin morning session, volume picked up and, by the end of business, more than 190m shares had changed hands.

Price gains in both bond and equity markets have been fuelled this week by falling oil prices. This week's stocks rally floundered yesterday morning when crude oil prices edged their lows but started racing again as some major US oil companies announced cuts in their posted prices.

Yesterday afternoon, crude oil futures dipped sharply, taking crude for January delivery below $16 per barrel to $15.86, down 77 cents from Tuesday's close.

The rally in bond prices also appeared to have run out of steam yesterday morning and the Treasury's benchmark 8.875 per cent 30-year issue had fallen ¼ point by midsession. However, the bond market started rallying as soon as oil prices dropped again and the long bond closed ⅞ point higher at 9.12 per cent.

Traders said the market was also helped in afternoon business by talk that House representatives had offered to abandon a provision to give the Treasury unlimited authority to issue long bonds. The Treasury has already reached its present long bond issue limit and the hint that any further issuance may be delayed helped the 30-year bond.

The 7.5 per cent jump in US housing starts in November reported yesterday was significantly stronger than most forecasters had looked for but there was some scepticism that the figure truly reflected underlying trends. For example, there was 0.7 per cent fall in building permits, a signal of future construction activity. The overall level of permits last month was the lowest since January, 1983.

The market was not concerned about the Fed's announcement it was executing overnight matched sales which effectively tightens liquidity because the news emerged when Fed Funds were trading at 6 per cent, very low compared with its level in recent weeks.

On the stock market, blue chips ended substantially higher. IBM added $2⅞ to $118⅞, Eastman Kodak was $1¼ higher at $50¾ and Hewlett-Packard gained $1½ to $57¼.

Among retailers, Sears, Roebuck gained $⅝ to $34⅞, Dayton Hudson was up $1¾ at $29½ and Wal-Mart Stores ended $⅝ to $25⅛.

USPCI, the hazardous waste disposal company, put on $1¾ to $27¼. The company said yesterday it was continuing to negotiate with Union Pacific, the railroad holding company, about a potential business combination at $28 per share in cash. USPCI had rejected a tender offer from Union at $25 per share. Union jumped $3⅜ to $54⅜.

Applied Biosystems, the manufacturer of biochemicals and research instruments, jumped $3 to $22¼ after its president said second quarter revenue could be up more than 50 per cent compared with a year ago and similar growth in the third quarter.

Texaco gained $¾ to $35¼ and Pennzoil rose $½ to $75¼ as intensive negotiations continued to find a settlement of the long-running legal dispute between the two companies.

Boeing was up $¾ after its announcement it had signed a contract to supply 16 747s to Air France with an option on 12 more engines, a total order worth $3.5bn and the second largest order ever received by the company.

Heavy industrial stocks held up well. Caterpillar rose $1⅜ to $61⅜ and Merck put on $2¼ to $161.

Canada

TORONTO STOCKS closed with a slight gain in mixed trading as golds, mines and industrials pulled the market higher against losses in energy issues.

The composite index, which had dropped about nine points in earlier trading, gained 1.30 to 3145.80 as falls led advances by 463 to 409 on turnover of 29.5m shares.

Royex Gold topped the list of most actives, rising C$⅛ to C$8.

EUROPE

Further gains chalked up in thin turnover

THE MODEST rally across Europe continued into a second day yesterday as the dollar held steady and Wall Street's modest further advance on Tuesday provided encouragement. Trading volumes remained weak, however.

FRANKFURT pushed ahead as the dollar edged further up from its lows early in the week against the D-Mark. Most of the buying was attributed to individuals and professionals in a quiet session.

The Commerzbank index showed a 28.9 rise to 1,356.7, while the closing FAZ index was 9.26 higher at 441.35.

In the insurance sector, Allianz lost DM7 to DM1,205 in profit-taking following its gains this week. Buying interest switched to Aachener and Muenchener which climbed DM30 to DM635.

Cars powered ahead, with BMW up a healthy DM20.50 at DM476.50 for a two-day gain of DM42.50, or almost 10 per cent. Daimler rolled forward DM16.50 to DM628.50 and VW added DM10.20 to DM237.

Porsche was DM10 ahead at DM443. The company announced that Mr Peter Schutz, chief executive, would step down prematurely at the end of the year.

Deutsche Bank led the sector with a DM11 advance to DM417, while Commerzbank put on DM6.50 to DM231 and Dresdner was up DM5 at DM239.50.

Thyssen's share price eased DM1 to DM108.50 after Thyssen Stahl reported heavy losses for the year to September. Metal processor Metallgesellschaft shed DM4 to DM254. Engineer MAN, which said it expected good results for the year, moved DM6.50 higher to DM135.50.

Bond prices held firm through a thin session and the Bundesbank sold DM154.6m worth of paper after selling DM63.6m on Tuesday.

PARIS took encouragement from better trade figures for November, and prices and volume both picked up. The CAC General index ended 5 points higher at 287.8.

Electronics issues managed reasonble gains, with Thomson-CSF moving FFr28 ahead to FFr765 and CGE up FFr9 at FFr225.

The construction sector was helped by the Bank of France's injection of liquidity into the money market. Bouygues put on FFr27 to FFr955 while Lafarge-Coppee was up FFr57 at FFr1,207.

In foods, BSN gained FFr25 to FFr4,335. After the bourse closed, the group said it expected substantially higher profits than earlier forecast for 1987.

Trading in the shares of Martell was suspended at FFr2,390. It emerged later that Seagram, the Canadian drinks group, was acquiring control of the cognac group.

Tyre group Michelin, which is forming a joint venture in Thailand to make radial tyres, rose FFr9.80 to FFr196.80.

AMSTERDAM moved higher but ended off the session's highs as Wall Street fell back from a firm start. The trend was also affected by the dollar's mild retreat towards the close.

The CBS Tendency index finished 1.3 ahead at 66.4 after reaching 66.7.

Internationals were mixed to higher, with only Philips and Royal Dutch easier, the former off 60 cents at Fl 29 and the latter down Fl 1.40 at Fl 192.30.

Publisher Elsevier remained in demand, with particular interest from the UK. It closed up Fl 1.50 at Fl 45.30.

Trading in shipping and transport group Nedlloyd remained suspended pending today's company announcement.

ZURICH was lifted to a slightly higher close thanks to the firmer tone in New York and West Germany, the steadier dollar and end-of-year position adjustments. The Credit Suisse index added 5.1 to 418.5.

Insurers came best out of the day, with Swiss Re up SFr150 at SFr12,450 and Winterthur SFr125 higher at SFr4,900. Baloise, which said it expected good 1987 figures despite the dollar's weakness, added SFr50 to SFr1,600.

Volume fell 31 per cent to SFr44.08bn in November from October in the wake of the global crash, according to cantonal statistics published yesterday.

BRUSSELS finished mixed to lower as uncertainty persisted over the formation of a new government. Some activity arose from position-squaring on the last day of the fortnightly trading cycle.

A few utilities performed well, with Intercom up BFr110 at BFr3,410, but others were lower, such as Electrafina, off BFr150 at BFr4,745. Market leader Petrofina ended BFr100 lower at BFr8,110.

MILAN saw small gains in moderate trading on the first day of the January trading cycle amid expectations of an imminent buying surge by domestic mutual funds. Fiat added L110 to L8,500 and Generali L1,150 to L88,150.

MADRID rose in quiet trading, with the general index up 7 at 219.48. Constructions and engineering stocks made the largest gains, but most sectors moved ahead. Telefonica was up 3 percentage points at 157.75 per cent of nominal market value.

STOCKHOLM ended marginally higher, with interest focusing on forestry and banking stocks in thin volume.

Foreign sales of Swedish shares outstripped purchases by SKr982m in November. Electrolux was the most heavily sold, followed by Saab-Scania and Ericsson.

London

OVERCOMING *a dull start on worries over the outlook for crude oil prices and an indecisive opening in New York, London equities managed a seventh rise in eight sessions. The FT-SE 100 index ended the day 19.8 stronger at 1,689.8.*

The market took heart from news of a net repayment of £1.55bn on public sector borrowing for November.

Karen Fossli catalogues the pessimism enveloping Norway's share market

Oslo sinks grimly from its Klondike days

AFTER a hectic summer on the Oslo bourse when record highs were set and broken daily, the market finds itself soberly trying to pick up the pieces after Black October. There are few signs that it will be an easy task.

Brokers are faced with the daunting task of reviving the bourse in the face of persistently weak foreign markets, fragile oil prices, domestic economic problems and climbing interest rates.

Oslo's all-share index began 1987 at 261 and by September had peaked at 442. On October 19, when world markets dived, Oslo plunged 32.75 points to 393, falling a further 76 the next day.

Yesterday the index drifted 2.58 lower to close at 241.72 as fears spread that the price for Norway's oil will fall further from what is already a nine-month low. The depressant of a falling oil price, though, is merely a prelude to what most *analysts predict will prove a long* season of gloom in Oslo.

"For the Norwegian market, the situation depends on what's happening on Wall Street, in Tokyo and in London," says Mr Vidar Ullenroed, a bourse spokesman. "Our market has remained very nervous and even if there is some recovery in other markets we are faced with such desperate domestic economic problems that we don't feel the positive effects, however slight, of other markets."

Moreover, from January 1, a 1 per cent turnover tax will be in place in Oslo – 0.5 per cent for the seller and 0.5 per cent for the buyer – which will do little to stimulate the ailing stockmarket. The Government's timing in implementing the tax has been criticised, but it has adamantly opposed calls for the levy to be lifted.

Some analysts also feel the level of capital gains tax is inhibitingly high. Today these taxes are at about 40 per cent, having risen from 30 per cent two years ago.

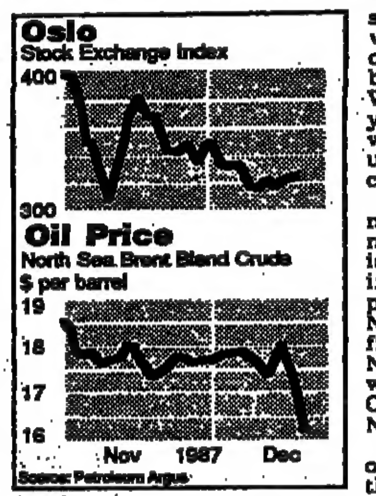
Whatever the causes, though, *Oslo has been heavily sold and,* according to Mr Ole Gladhaug of Christiania Bank, foreign investors have been the most aggressive sellers since the crash. By his calculations, foreign investors have sold between 9 and 10 per cent of their portfolio of Norwegian shares since the October crisis. Conversely, he reckons Norwegian investors have sold only about 5 per cent of their portfolio during that period.

Mr Gladhaug says some domestic investors had, however, "over-invested" before the shake-out and, squeezed by Norway's high domestic interest rates (the six-month money market rate is about 16.45 per cent and the one-month rate about 15.05 per cent) a number have had problems in sustaining payments on debt. The sale of securities by such companies has helped depress the market.

Christiania Bank does not see the market repeating the high turnover of this summer. Mr Gladhaug, however, does not discount the potential for some recovery. He says this hinges on oil prices remaining at about $17 per barrel and interest rates coming down.

To compound the list of woes, many analysts complain that the market has lost confidence in Norway's minority Labour Government, headed by Mrs Gro Harlem Brundtland. They say in particular that the Government *has reneged on a promise to cut* interest rates by the end of 1987.

Mr Morten Gottschalk of the Carl Kierulf brokerage sees nothing but gloom and doom ahead, though he says his firm has been spared the worst. "We aren't very confident, but at least we don't have the problems posed by clients who cannot pay. Within the next 12 months you're going to see a lot of Norwegian brokerage firms going under because of clients who can't pay."



With the market so weak, many large Norwegian companies have had to abandon share-issues. The list of casualties includes a planned and now postponed NKr3.5bn issue from Norsk Hydro, a NKr350m issue from Storebrand insurance and a NKr500m issue by DNL, the Norwegian share of SAS Airlines. Orkla Borregard also dropped its NKr500m share issue.

The latest shadow to emerge over the Norwegian market is that of a potential devaluation of the krona. The Ministry of Finance denies that a devaluation is imminent.

Through the clouds, however, some investors have found solace. "Th Norwegian Klondike is over," says with a wry laugh. "I'... just glad I got out in time."

Swiss pass bill on insider trade

A SWISS Government bill to ban insider trading was given final approval by the lower house of the country's parliament, bringing Switzerland largely in line with the US and other European countries, *Reuter reports from Zurich.*

The law will make it a punishable offence to trade quoted stocks on the basis of privileged information relating to "impending issues of stocks, mergers or other events of comparable importance."

The law, which is likely to take effect in 1988, should remove a source of tension with the US.

The Government announced in 1980 its intention to outlaw insider dealing. The bill was caught in a last minute argument between the two houses over the definition of insider trading.

The lower house, backed by Ms Elisabeth Kopp, the Justice Minister, had wanted the law to state explicitly that it also applied to information relating to any change in a company's business, a move blocked by the upper house.

The minister said yesterday, however, she was satisfied that the courts would take a wide enough interpretation of the law to cover almost all cases.

ASIA

Small-lot selling sends Nikkei marginally lower

Tokyo

TOKYO's market again lacked vigour yesterday and share *prices closed lower for the fourth* consecutive trading day, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average dipped 27.31 from Tuesday to 22,819.42. Volume totalled 685m shares compared with 512m the previous day. Falls outnumbered rises by 453 to 412, with 171 issues unchanged.

After a firm start, small-lot selling increased gradually and sent the market lower, following the pattern seen throughout the week.

In lacklustre trading, investors hunted small- and medium-capital issues, priced between Y500 and less than Y1,000, to earn short-term capital gains.

Small- and medium-sized construction issues came into the spotlight. Tokyu Construction, with 24.17m shares changing hands, closed Y35 higher at Y925 after rising to Y950.

Sumitomo Construction gained Y16 to Y685 and JDC Y11 to Y770. The popularity of these issues reflected investor expectations that government measures to boost domestic demand would help improve their earnings positions.

Machineries fared well against the backdrop of rising private capital spending. Nachi-Fujikoshi added Y20 to Y568, Shimadzu Y15 to Y995, Yuken Kogyo Y42 to Y642, Chugoku Kogyo Y110 to Y1,280 and Yokogawa Electric Y60 to Y1,380.

Nisshin Steel topped the active list with 61.49m shares traded, surging Y38 to Y637 on the prospect that the steelmaker would report better business results for the current year ending in March next year.

Ishikawajima-Harima Heavy Industries was the second busiest issue with 54.50m shares and ended Y26 higher at Y661.

However, leading shares were still out of favour. Nippon Steel lost Y4 to Y404, although it saw 17.88m shares change hands. Mitsubishi Heavy Industries and Kawasaki Steel finished Y2 and Y3 lower at Y589 and Y342, respectively.

High-technology stocks were dull, with Hitachi shedding Y20 to Y1,160, Matsushita Electric Industrial Y10 to Y2,050 and NEC Y10 to Y1,890.

Japan Air Lines ended at Y14,400, unchanged from the previous day, while NTT came under small-lot selling pressure, losing Y40,000 to Y2.28m.

Bond prices rallied, bolstered by lower crude oil prices in New York and a drop on the yield on the long-term US Treasury bond.

Another encouraging factor was the Bank of Japan's purchase of three issues of *long-term government bonds,* including the 5.1 per cent bond maturing in June 1996. In inter-dealer trading, the yield on the benchmark 5.0 per cent government bond, falling due in December 1997, opened at 4.780 per cent.

The yield then fell steeply to 4.700 per cent and later fetched 4.710 per cent.

On the Osaka Securities Exchange (OSE), late profit-taking pressure drove stock prices lower for the fourth straight trading session.

The 250-issue OSE stock average closed 25.33 points lower at 23,225.31 on an estimated volume of 103m shares, an increase of 19m shares from the previous day.

Torishima Pump Manufacturing dropped Y140 to Y1,270, while Sekaicho Rubber leapt Y180 to Y1,420 on the strength of a pick up in business.

Australia

WIDESPREAD selling of golds in the wake of a sharply lower bul*lion price spread weakness* throughout the Sydney market. The All Ordinaries index ended 6.0 off at 1,242.7.

Gold Mines of Kalgoorlie, though, held at A$5.10 despite news of a 2-for-1 rights issue. Poseidon was also steady at A$3.50.

North Broken Hill was 5 cents off at A$2.80 while its takeover target Peko Wallsend made up 30 cents to A$7.30.

Hong Kong

SUSTAINED buying, notably from overseas, sustained the rising streak in Hong Kong, with property and utility shares showing strongly. The Hang Seng index rose steadily to close 65.09 up at 2,145.71.

Continued rumours of Chinese interest in China Light swelled the stock by 80 cents to HK$16.10, with Hong Kong Telephone up 30 cents to HK$11.60 and Hongkong Electric up 10 cents at HK$7.15 in utilities.

Sun Kung Kai shone among properties with a 35 cent gain to HK$8.30. In banks, Bank of East Asia added 70 cents to HK$17

Singapore

BARGAIN-HUNTING again led Singapore share prices modestly higher in quiet trade. The Straits Times industrial index was 12.71 to 763.26.

Haw Par was busiest in trade of 1.8m shares, adding 9 cents to S$2.20. Singapore Airlines performed impressively with a 20 cent rise to S$8.70, while Singapore Press added 15 cents to S$6.65.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 16 1987					TUESDAY DECEMBER 15 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (88)	96.23	+0.1	77.88	89.67	4.60	96.12	77.83	89.53	180.81	85.36	99.61
Austria (16)	95.93	+1.2	77.63	81.41	2.58	94.83	76.78	80.37	102.87	85.53	94.07
Belgium (48)	96.54	+0.6	78.13	81.54	5.80	95.95	77.69	81.16	134.89	94.63	95.86
Canada (127)	108.87	−0.1	88.10	103.15	3.02	108.99	88.25	103.15	141.78	98.15	99.35
Denmark (38)	113.95	−0.2	92.22	97.45	3.04	114.21	92.48	97.59	124.83	98.18	95.95
France (121)	86.31	+2.0	69.85	74.84	3.55	84.61	68.51	73.36	121.82	77.39	100.63
West Germany (93)	77.85	+2.1	63.00	65.99	2.88	76.26	61.75	64.66	104.93	68.91	95.92
Hong Kong (46)	82.84	+2.9	67.04	82.65	5.99	80.51	65.19	80.16	158.68	73.92	93.57
Ireland (14)	102.59	+2.5	83.02	88.57	5.11	100.04	81.00	86.37	160.22	93.50	96.04
Italy (94)	77.83	+1.9	62.98	69.63	2.74	76.40	61.86	68.59	112.11	72.04	92.82
Japan (457)	143.77	−0.3	116.35	115.69	0.60	144.19	116.75	116.26	161.28	100.00	97.19
Malaysia (36)	103.73	+2.3	83.95	99.38	3.63	101.45	82.14	97.05	193.64	93.76	98.71
Mexico (14)	107.97	−11.5	87.37	269.74	1.14	121.95	98.74	296.67	422.59	99.72	98.16
Netherland (37)	96.16	+0.4	77.82	80.58	5.59	95.76	77.53	80.20	131.41	87.70	96.77
New Zealand (20)	75.04	−1.2	60.73	61.75	5.46	75.97	61.52	62.48	138.99	75.04	97.29
Norway (24)	96.30	−2.6	77.93	83.36	3.28	98.87	80.06	85.45	185.01	95.51	99.22
Singapore (26)	89.50	+1.9	72.43	82.43	2.93	87.80	71.09	81.02	174.28	81.21	100.06
South Africa (61)	139.00	−0.8	112.49	92.79	4.66	140.06	113.41	92.79	198.09	100.00	103.93
Spain (43)	125.81	+2.5	101.81	105.41	3.93	122.69	99.34	102.56	168.81	100.00	95.20
Sweden (34)	95.00	+0.4	76.88	83.43	2.74	94.60	76.60	83.08	136.64	88.50	96.67
Switzerland (53)	80.58	+1.2	65.21	66.37	2.50	79.62	64.47	65.55	111.11	73.65	94.20
United Kingdom (332)	126.71	+1.2	102.54	102.54	4.53	125.24	101.41	101.41	162.87	99.65	94.65
USA (582)	100.80	+2.1	81.58	100.80	3.65	98.71	79.93	98.71	137.42	91.21	102.64
Europe (947)	101.50	+1.4	82.14	84.65	3.98	100.09	81.04	83.51	130.02	92.25	95.51
Pacific Basin (673)	139.61	−0.2	112.98	113.43	0.81	139.92	113.30	113.89	158.77	100.00	97.20
Euro–Pacific (1620)	124.40	+0.3	100.67	101.94	1.85	124.02	100.42	101.76	143.65	100.00	96.53
North America (709)	101.23	+2.0	81.92	100.95	3.62	99.25	80.37	98.98	137.55	91.68	102.47
Europe Ex. UK (615)	85.86	+1.6	69.49	73.43	3.48	84.49	68.41	72.28	111.97	78.89	96.05
Pacific Ex. Japan (216)	89.22	+1.1	72.21	84.13	5.00	88.29	71.49	83.18	164.03	82.92	97.30
World Ex. US (1822)	124.01	+0.3	100.36	102.02	1.92	123.67	100.14	101.86	143.38	100.00	96.70
World Ex. UK (2072)	113.89	+0.9	92.16	101.55	2.28	112.92	91.43	100.76	138.62	100.00	99.44
World Ex. So. Af. (2343)	114.86	+0.9	92.95	101.65	2.49	113.83	92.17	100.83	139.47	100.00	98.98
World Ex. Japan (1947)	101.25	+1.7	81.94	94.58	3.80	99.54	80.60	92.98	134.22	92.98	99.89
The World Index (2404)	115.02	+0.9	93.08	101.62	2.51	114.00	92.31	100.80	139.73	100.00	99.01

Base values. Dec 31, 1986 = 100

South African market was closed for public holiday on December 16.